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Soviet Union

Economic Affairs

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Soviet Union

Economic Affairs

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ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

Model Statute on Use of Central Production Fund, Reserve

18200170a Moscow *EKONOMICHESKAYA GAZETA*
in Russian No 19, May 88 p 19

[Text] We are continuing to publish methodological materials concerning complete cost accounting and self-financing. In this issue we are printing the "Standard Provisions Concerning the Policy for the Formation and Utilization During 1988-1990 of the Centralized Fund for Production and Social Development and the Reserve of the Ministries Whose Associations, Enterprises and Organizations Have Been Changed Over to Complete Cost Accounting and Self-Financing" approved by the Commission for the Improvement of Management, Planning and the Economic Mechanism.

1. The Centralized Fund for Production and Social Development and the Reserve for the Material Incentive Fund¹ are created in the ministries (departments)², all of whose associations, enterprises and organizations have been changed over to complete cost accounting and self-financing and, in keeping with existing legislation, they form the Fund for Production and Social Development (the Fund for Scientific-Technical and Social Development).³

The Centralized Fund and the Reserve are formed from deductions transferred to the ministry (department) from the calculated profit (income) of the enterprises and also from amortization deductions intended for complete restoration of fixed capital according to established stable normatives.

When establishing for the enterprises the normative of deductions from the calculated profit (income) into the Centralized Fund and Reserve one proceeds from the following:

deductions from calculated profit (income) are made by the enterprise according to the general normative which takes into account the sums subject to be transferred both into the Centralized Fund and into the Reserve;

the normative of deductions into the Centralized Fund and Reserve is established by the ministry (department) with the agreement of the corresponding trade union committee;

the Reserve for the Material Incentive Fund should not exceed 15 percent of the planned amounts of this fund for the ministry (department as a whole) with the exception of one-time sums for incentives and material assistance that were paid previously from the fund of the ministry;

deductions into the Centralized Fund and Reserve of the ministry (department) are made by all enterprises that are planned to operate with a profit. Moreover the amount of these deductions as a rule should not exceed the amount of payments into the state budget.

2. It is recommended that money from the Centralized Fund for Production and Social Development be used for the following purposes:

financing capital investments of a general branch and interbranch nature (including this instruction) and for the development of technically backward enterprises in the event that they do not have their own funds. In special cases the enterprises can be allotted centralized financial resources for conducting large-scale measures for technical reequipment, reconstruction and expansion of existing production. The list of the corresponding enterprises and facilities is approved in the state plan. Some of the money from the Centralized Fund can be used by the ministry (department) for financing centralized capital investments;

financing specific ones of the most important scientific research and experimental design project and other expenditures of a general branch and interbranch nature;

reimbursement for losses in the formation of funds for production and social development (funds for scientific-technical and social development) of enterprises that are planned to operate at a loss or not very profitable);

compensation for increased expenditures on the production of new products during the period of their assimilation;

deposits into the budget at payments taken from the clients for new construction when the time period set by the plan for the startup of capacities and facilities are not met and other economic sanctions that are collected by the ministry (department) in keeping with existing legislation and also the transfer of money of the contract organization with early introduction of new production capacities and facilities;

financing improvement of housing and social conditions for workers engaged in the assimilation of production capacities at newly introduced enterprises and facilities;

maintenance of the directors of an enterprise under construction in the stage of planning the facility with subsequent reimbursement of the funds spent during this period (from expenditures envisioned in the consolidated estimates of the cost of construction of the facility);

repayment of bank loans and long-term credit granted directly to the ministry (department) and also payment for interest on them;

fulfillment of commitments to banks that ensue from guarantees granted by the ministry (department) concerning enterprises under their jurisdiction);

increasing the fund for production in social development for enterprises that are winners of the all-union and branch socialist competition;

covering expenditures for organizing and conducting permanent scientific and technical exhibitions;

maintenance of the management staff of the ministry (department);

increasing the qualifications of management personnel and specialists;

financing expenditures of higher and secondary vocational and technical schools, institutes for increasing qualifications and other training institutions under their jurisdiction;

partial reimbursement for expenditures for training young specialists who have been enlisted to work at newly introduced enterprises;

shared participation in the construction of residential buildings and the acquisition of passes to sanatoriums, houses of recreation, pensions, tourist bases, excursions and trips and for conducting cultural-educational and physical culture measures for workers of the management staff of the ministry (department);

rendering temporary financial assistance to enterprises for other purposes.

3. It is recommended that money from the reserve for the material incentive fund be used for the following purposes:

the creation of material incentive funds for newly introduced enterprises, capacities, and facilities;

the creation of material incentive funds for enterprises that are planned to operate at a loss and those that are less profitable;

increasing material incentive funds for enterprises that provide for an increase in the output of new, highly effective technical equipment and new consumer goods;

bonuses for work on new technical equipment of a general branch and interbranch nature;

bonuses for workers of the ministry (department) stamp under the established policy;

one-time incentives for branch workers for the performance of especially important jobs and assignments and also one-time material assistance for them, including for money previously paid from the ministry fund;

bonuses for the results of the all-union republic or oblast (kray) socialist competition and other expenditures related to material incentives.

4. Money for the Centralized Fund and the Reserve can be used for increasing the material incentive funds for enterprises for complete fulfillment of contractual commitments for delivery and also providing for the fulfillment of contractual commitments for the startup of production capacities, facilities and structures, residential buildings, and other facilities for social purposes.

5. Money from the Centralized Fund and Reserve of the ministry (department) can be allocated to enterprises on a reimbursable basis, including to settle accounts for products (jobs, services) when they do not have the money or the right to obtain credit.

6. Resources for covering losses and forming the Fund for Production and Social Development and the material incentive fund for enterprises that are planned to operate at a loss or are less profitable is the money from the Centralized Fund and the Reserve in amounts that correspond to the limits of subsidies established for the ministries (departments) with a progressive reduction of these throughout the various years of the five-year plan.

7. Estimates of the expenditure of money from the Centralized Fund and Reserve of the ministry (department) are coordinated with the corresponding trade union committee. The residuals of money from the fund and the reserve are not to be withdrawn and are used during the next year under the policy established by the present standard provisions in keeping with the estimates.

8. Deposits of deductions into the Centralized Fund and the Reserve are made by the enterprises within the time periods established by the agency that forms this fund and reserve.

9. Money from the Centralized Fund and Reserve is kept in a running account of the ministry (department).

10. The present standard provisions will go into effect on 1 January 1988.

11. If necessary the ministries (departments), with the agreement of the USSR Ministry of Finance, the USSR Gosplan, and the AUCCTU, can introduce special cases into the present standard provisions with respect to the specific features of the operation of the branch.

Specialists Call for Reduced Bureaucracy, System Changes

18200152 Moscow IZVESTIYA in Russian
14 Apr 88 p 3

[Round-Table Discussion led by A. Druzenko, editor of the Economics Division of IZVESTIYA: "Conversion of the System: Afterword to the Study 'Curtailing the System,' Published in IZVESTIYA Four Years Ago"; first eight paragraphs are Druzenko introduction; last three are Druzenko postscript]

[Text] They say that there are problems as old as the world. But the opinion on them, more precisely—on ways of solving them can, vary—both retrograde and innovative.

To illustrate precisely this, the innovative, I shall take the liberty of quoting a few lines:

"...there must be glasnost, and that is that. There must be everyday information on life. It should be comprehensive, because it is foolish to hide from people what it is impossible to conceal anyway. It should be timely, because information is worth nothing if it hobbles along behind the events, if it is published when it has, as they say, already been propped up. A last modest wish: the information communicated must be one hundred percent, scrupulously truthful."

These lines were written in 1966 by Anatoliy Agranovskiy, IZVESTIYA special correspondent. Let us remember that at that time, too, economic reform was developing. It did not meet with success, in many ways precisely because improvement in the economic mechanism was not supported by a process of democratization, the widescale glasnost of which Agranovskiy wrote at that time.

Problem-forecasting and idea-forecasting took the essays of this brilliant public affairs commentator beyond the framework of a newspaper column lasting, as we know, for one day. Agranovskiy's last work—"Curtailing the System"—was also ahead of its time. Perhaps today, four years after its publication (and after the author's sudden demise) it can be acknowledged by almost everyone everywhere that one of the fundamental problems of restructuring is the elimination of the command-administrative system of management?

This, strictly, has also predetermined the idea—after having discarded the essay, "Curtailing the System"—of looking at the problem from the standpoint of today and tomorrow. I invited O. Latsis, doctor of economic sciences, and V. Krivosheyev and G. Lischikin, candidates in economic sciences, as collocutors.

Why did the choice fall on them? In the first place, they are all, as the readers know, specialists in the field of economics. In the second place, they are also well known as commentators on current affairs and regularly appear in the periodical press.

This then, is the short message with which I should like to preface the verbatim account of our conversation.

[A. Druzenko]: Agranovskiy began his essay with the question: "How can the system be curtailed?" We ourselves answered: "There is one way: clear out the excess." What does this mean today, what can it mean tomorrow—the superfluous system, the superfluous function of the system, the superfluous man in the system?

[O. Lapsis]: We do not feel the excess in the system because of an excess of expenditures for its support. Incidentally, there is an idea that the "officials" among us number 18 million. This is inaccurate. There are about three million pure officials. The problem, however, I repeat, does not lie in the fact that we spend a great deal to support them. This is a mere kopeck on the budgetary scale. The greatest damage is incurred by the excessive, superfluous work of the system. In government, as we know, a superfluous function is not simply useless—it is apt to be only harmful.

[G. Lisichkin]: In the time that has passed since the publication of "Curtail the System," the criteria for optimality of the system have themselves begun to change. When he wrote the essay, it was an unshakable fact that our production was non-commodity production, and for us all the needs, including the need for officials, were miscalculated, outside of any relation to the goods produced. After the 27th Congress and after the June (1987) Plenum, other criteria came to the forefront. That is, we measured the superfluous system then and are beginning to measure it now with different "meters."

[V. Krishoveyev]: The excess—that is what is hindering us. If it does not hinder us, however, it simply goes unnoticed. After all, it is the treasury that feeds it, and not the one whom it manages. It has come to the point where we do not consider absurd the incantation: "provided it wouldn't hurt!" Yes, precisely, it would not hurt, and there will already be progress. At the same time, everyone is chanting, from worker to minister. The worker points his finger at the section management, the latter—at the shop management, the shop—at the plant management, etc. And therefore, of the 18 million government workers, I think, there are 18 million but in no way three! Look at them separately—there will not be many alike! The point is not only in the number, the point is that there will be still more. The administrative system will grow until the administrative principles change. Transferring a function from the upper level to the lower leads, not to reducing its number, but to increasing it. After all, not only the function, but also the

bureaucrat is delegated! Here are examples. The number of all those employed in the agro-industrial complex has risen by 0.9 percent since 1980, and the administrative personnel—by 7.2 percent. If you think that with the transfer of foreign economic functions to 20 ministries and a number of large enterprises, the number of foreign trade workers was reduced, you are profoundly mistaken. It is growing. This is happening because the principles themselves have remained as before. Now each ministry creates its own little "foreign trade ministry," duplicating all its bureaucratic defects.

[O. Latsis]: Today superfluous officials are becoming even more superfluous than yesterday, and the danger from them is a hundred times greater than yesterday.

[G. Lisichkin]: I must make a proviso. In our country the words "official" and "bureaucrat" are exceptionally abusive. But any production facility without a highly qualified official will turn into anarchy. The problem lies in the fact that we have too few professional administrators, those who meet the requirements of time and restructuring.

[O. Latsis]: Administration, according to Lenin is a vocation

[G. Lisichkin]: The qualifications of today's bureaucrats, however, are fostered by the administrative system. A new economic mechanism requires different qualifications. The point does not lie in how many officials there will be—five or a hundred? Possibly, five, a hundred will be needed, but—different ones.

[A. Druzenko]: "In other words, today this problem is not so much a quantitative as a qualitative one. That is, it must be a question not so much of "curtailing", as of "converting" the system, converting it to a qualitatively new administrative system. It must be a question of overcoming outmoded methods and changing the administrative mechanism itself. It will be a new mechanism—will be a different system, not in the quantity, but in the quality of the work. Now, however, at the first stage of reform, it is precisely quantitative and not qualitative changes in the system that we are observing. The emphasis is laid on the fact that at a certain ministry, ispolkom or state committee the number of workers has dropped by nine percent.

[O. Latsis]: So far they most often cut the people, and not the functions.

[A. Druzenko]: But it is with the people that the problem lies! It is easy to cut out a pensioner. But if a person is in his prime, healthy, not an idler—you do not push him out into the street.

[O. Latsis]: This is not where the problem lies. You can cut even those who are "in their prime" and put them on full financial support. This has already been discussed here—pay so that it does not hurt. This does not take

much capital. Indeed, we stop recruiting new "officials" today and in ten or fifteen years the system will cease to exist entirely. Take away the functions, the links, and the people will be resorbed. The problem is a different one. While the system exists, it supports its own functions, clings to them and will not let them be destroyed. It is the functions that must be eliminated.

[V. Krivosheyev]: The tragedy lies in the fact that we are trying to combat bureaucracy with bureaucratic methods. Even today we are trying to dictate from the top how much the system must be curtailed—in that same Gosplan, Gosnab and the ministries. The essence lies, however, in determining the optimality of the system from below, by those whom it serves. But we can hardly cope with a command or order from a bureaucrat. Today's system is experienced in bureaucratic tricks. Take the Law on the Enterprise. What does the bureaucrat do? He refutes this law, while being supported by it.

[A. Druzenko]: And the law gives in to him.

[G. Lisichkin]: Naturally. This is the Law on the Enterprise, it does not touch on the entire system of economic activity. We wrote in the article, "An Incident With Uralmash," that there a ministry official said: "They say that a ministry is not an enterprise and that no law extends to it." And in his own way he is right.

[O. Latsis]: Neither in a law nor in any other documents has there yet been incorporation of the principles of economic responsibility at the non-cost-accounting level, that is, beyond the confines of the enterprise or association. Without principles there is no practical work. Of course, you cannot achieve this immediately, with a wave of the hand. The possibility of some sort of transitional system being needed in the transitional period is not ruled out. Some functions of administrative management should die out entirely and be replaced with the cost accounting mechanism. Some, on the contrary, are even gaining strength—the intersectorial ones, connected with capital construction and scientific-technical progress. Administrative authorities are necessary. Which ones—that is the question. It is not the bureaucracy, standing over the enterprises, that is needed, but a system serving the enterprises, subordinate to them and accountable to them. Management in the sense in which the landowner had a manager. He leased it, and the manager was subordinate to the master.

[A. Druzenko]: I am afraid that this analogy cannot be taken literally.

[O. Latsis]: But it must be taken literally! We have not had landowners for a long time and there will be none. We think this way: the ministry is the master of the sector, and directs it. But it should be this way: the ministry is the master of the sector and manages it—in each specific case—in the personification of an enterprise or a collective. Yet the authority performing the administrative functions is the very same manager who

is employed by the people, the enterprises and the collectives and is accountable to them. What can this authority be like? A syndicate, a concern, an actuary society, a partnership—you can call it what you like. The important thing is: it does not command, it is subordinate.

[G. Lisichkin]: Let us not forget that we have revived a qualitatively new idea—self-government. True, so far it is completed only at the level of the enterprise, although it must absolutely be taken through the entire administrative hierarchy, to the very top. What just four years ago was evaluated as the latest revisionism, and I have self-government in mind, has today become an alternative to social stagnation. If we are not consistent and cut self-government off at the enterprise level, we will find ourselves in the position of Yugoslavia, which can in no way surmount automation and all its negative consequences, including that caused by the fact that at a certain stage they gave too narrow an interpretation of ideas of self-government.

[A. Druzenko]: But how can the principle of self-government be brought to the level of the ministry itself? Let us take the Ministry of Light Industry. It is a colossal sector, with a gigantic number of enterprises, various types of production, a varying degree of technical equipment....

[O. Latsis]: That is a very precise example—light industry. It is just right. Let us try to find an analogy in the NEP. Speaking at the 15th All-Union Communist Party Congress, Ordzhonikidze said that our textile industry has a main administration—the Main Administration for Textiles. There is also an All-Union Textile Syndicate. It, essentially, also manages the sector. When Glavtekstil wants its enterprises to listen, it turns to the syndicate and asks to have its command published. A very significant example! The enterprises obeyed their actual manager, who had the real economic authority. There are also grains of experience like this in today's practical work—councils of kolkhozes, councils of enterprise directors, councils of cooperatives....

[A. Druzenko]: The ministries drop out of this series.

[V. Krivosheyev]: In the form in which they appear today as administrative authorities of the sector, the ministries are simply no longer necessary. Today the real Ivanov's, Sidorov's and Petrov's are the managers. Surely you must have heard: "You must go not to Sidorov, but to Petrov, and then you would find a favorable solution to the problem." There is even a special concept in the administrative vocabulary—"Go to the person you need." Meanwhile, it should not be the "necessary" people with their subjective biases, and principles, norms, taxes, prices, loans, rates, percents, currency rates of exchange, profit, etc. who direct the economic system. One must not direct, but be directed, but in the hands of the bureaucratic system, the economic levers turn into administrative reins. How did the

state order, profit withholding norms and scaling ratio of foreign trade prices at home turn out for the enterprises? Indeed, into the same administrative directives!

[A. Druzenko]: This means that the point lies in the administrative system itself. If it is based on a directive, the system will be supported by directives. The ministries do not let administrative levers go, they hold on to them with all their might.

[O. Latsis]: Khrushchev, as we know, eliminated the ministries.

[V. Krivosheyev]: And the bureaucracy was moved from the center to the periphery.

[O. Latsis]: Nevertheless, there was a big shift in this. It turned out that in principle we could live without the ministries, and not be any worse off, although we know that the problem of curbing the sovnarkhoz system was not solved. With respect to the enterprises, they were abandoned by those same ministries, having changed address and location but not administrative principles.

[V. Krivosheyev]: Singling out the administrative function independently has its limits. We went beyond them long ago. Of course, the ZIL director at the machine tool of a lathe hand who has fallen ill is an absurdity. But the manager, let us say, of a store, behind the counter at "peak" hours is not at all absurd. How many of our engineers at enterprises are engaged in purely administrative work? How many accountants, norm-setters and controllers? Nowhere in the world are so many considered equal as in our country. Here it is indispensable to repeat: "Socialism Is Accounting." This motto was advanced by Lenin under the specific conditions of collapse, when production practically equaled zero and every crumb, every screw had to be taken into account. We have elevated this motto to a principle. Even bookkeepers have turned into "state controllers!" We all keep accounts, control, calculate and remeasure—it is as if they would swipe it straight out of our hands. And here the police have already revealed the reason for this phenomenon—lax accounting. This is not the point! There is no master—so they swipe it. There is no master—so the accountants and norm-setters are above any measure. Look at the state of affairs in the cooperatives. Even in the ones that bake pirozhki. After all, there too one can "walk off with" flour, oil and sugar. They do not swipe it.... Cooperatives can manage without a hypertrophied administrative superstructure. If you look carefully at the profit structure of cooperatives, quite a large portion of it is formed precisely because the cooperative has been freed of maintaining bureaucratic formations on its body.

[G. Lisichkin]: This is a very important point—at whose expense do the administrative bodies live. Now, historically—at the expense of the budget. If they depended on

the results of the production, however, successful or unsuccessful, would they live on the withholdings from them? Why can a plant be bankrupt and an administrative body not be?

[V. Krivosheyev]: It does not produce anything.

[O. Latsis]: On the other hand, he, the bureaucrat is by nature capable only of spending. He stands above the cost accounting sphere. He is not dependent on the actual consequences of his work. He is not accountable to the people, and therefore presents the greatest danger for restructuring. A citizen should commensurate his expenditures with his earnings. Enterprises also gradually pass over to this situation. The sphere of control, however, as before, is not liable to account for expenditures. The ministries, having received their portion of the capital investments, are essentially free to dispose of them as they see fit. The Ministry of Land Reclamation and Water Resources spends 11 billion rubles a year. The recovery from it in the last five-year plan, according to its own data, was 26 years. Some scientists are quadrupling this period! This is fantastic! Not a single capitalist would live such a life for a single day. We have no reliable mechanism to monitor the administrative bodies—and billions are spent like water. There is great danger in this. Why? High labor productivity on construction that we do not need, or a harmful canal or an unnecessary complex to produce tractors in Yelabug needs to be paid for nevertheless. This, from the standpoint of the specific participant in the construction, is money honestly earned. But as a society, they have spent and not earned! No commodity comes from them anywhere. The money will be presented at a store, and we will look at Goskomtsen: give a good price, they say. But what can it "give," if there is money but no commodity?

[G. Lisichkin]: Just let us think about this "simple" question: where are there ministries that think about...increasing our national income? That is, what the country and the people live on? We are the only country in the world where the logic of administration is not closed to the national income. Do the ministers really look after the national income? They do not. The interest and problems of the sector—that is the main thing for them. Just imagine an administrative body not thinking about how to enrich the country!

[O. Latsis]: It is fulfilling its service functions.

[G. Lisichkin]: And each one of them has "their own" and they are not attuned to a single common goal—national income.

[O. Latsis]: On the other hand, they are amiably attuned to expenditures.... Today the problem is reduced to the fact that no one who is not producing real wealth and not producing national income can spend even a single kopeck without being under the control of those who produce it.

[A. Druzenko]: Pardon me, but I have exactly the same question—how do you overcome bureaucracy? More precisely, even—how do you turn it into an administrative official that we need? Although, I understand it is difficult to give an unequivocal answer to this question.

[V. Krivosheyev]: Let us recall a well-known idea of Lenin's: one can banish the tsar, banish the landowners and the popes, but it is impossible to wipe bureaucracy from the face of the earth. It can only be reduced by persistent, laborious work. He, Lenin has an excellent recipe for combating the extraneous bureaucratic features in the system. Remember, in the letter to Krzhizhanovskiy: "Leave one-fourth and pay them more, at the expense of those whom they cleared away." This is one of the nonbureaucratic, but precisely economic methods of combating bureaucracy.

[G. Lisichkin]: It is probably time to sum up the results. I would like to single out three points. The first—the criteria of optimality for administration must be changed. The main criterion is national income. The second—the idea of self-government qualitatively reforms all our concepts of administration. Quantity passes to quality. Third, which we have scarcely touched on—there is the cultivation of administrative functions and surmounting the existing system of the merging of party, soviet and economic administrative system. There will be no order until the government workers are engaged in what government workers should be engaged in, and the party—in what the party should be engaged in.

[O. Latsis]: It has already been said: there must be control so that the administration does not become bureaucratized. This is by no means a dilettante idea, it is an extremely important function, requiring professionalism, organization and a system. The party system, having rid itself of state and economic functions, should, along with a task such as devising scientific strategy for the development of society, take on the struggle against the bureaucracy of the state system. But, as you realize, this is the subject of a separate conversation. I think that this conversation is made up around the 19th Party Conference and around the party as a guarantee for the struggle with bureaucracy.

P.S. Having turned the shorthand report over for typesetting, I felt the need to formulate some sort of brief conclusion from the conversation. It is a difficult task

I reread "Curtailling the System." It was written there: "Here is the essence of the problem: If we carried out all the solutions, the system would long ago have been reduced to zero. In actuality, with the constancy of the sea's ebbs and flows, it has managed to return depleted each time, even with an interception."

This is the essence. For decades we have tried to curb the system, retaining unchanged the administrative system of management. Hence the conclusion: unless the system

changes, the machinery is invincible. After changing the system and truly turning bureaucratic centralism into democratic, we will form invincible restructuring.

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INVESTMENT, PRICES, BUDGET, FINANCE

Gosbank Official Proposes Revival of Commercial Credit

18200169a Moscow *EKONOMICHESKAYA GAZETA*
in Russian No 19, May 88 p 11

[Article by V. Pekshev, deputy chairman of the board of the USSR Gosbank: "Commercial Credit? Yes!"]

[Text] "Will principals of commercial credit be developed in the new economic mechanism? What are the possibilities of applying it in the system of cost-accounting relations of enterprises?" ask our readers.

These questions are answered by deputy chairman of the board of the USSR Gosbank, V. Pekshev.

The radical economic reform and the restructuring of the economic mechanism require a fundamental improvement in the entire system of financial and credit levers in the country's economy and a search for new forms and methods of organization of financial and credit relations among various levels of the national economy that are directed toward accelerating socioeconomic development. In this connection it is frequently suggested that commercial credit be introduced into the practice of cost-accounting relations of enterprises.

The commercial credit granted in commercial form by the sellers to the buyers in the form of delayed payment for goods that have been sold, as we know, was fairly widely practiced in our economy in the 1920's.

The application of commercial credit at that time was brought about by a number of factors, among which the first to be mentioned should be the limited scale of collectivization of industry and trade and the imperfect prognostication and planning of the needs of the enterprises for financial and other means. At that time, of course, commercial credit played a positive role and helped to enlist free commodities and monetary resources of the enterprises that were necessary for advancing and developing the economy.

But with the formation of the management mechanism based on the system of rigidly centralized management of the economy the principles of commercial credit increasingly came into contradiction with the economic factors. As a result, on 30 January 1930 during the course of a credit reform commercial credit was eliminated.

Today, in the opinion of a number of economists, because of the changeover to complete cost accounting and self-financing and the expansion of the rights of the enterprises envisioned by the USSR Law on the State Enterprise (Association), prerequisites arise for the restoration of commercial credit in one form or another.

It is being suggested, in particular, that consumer enterprises be permitted to turn over some of their monetary funds to supply enterprises for more efficient and better filling of orders (concluded agreements) with subsequent subtraction from the payment for deliveries of the amount that has been advanced.

Another suggestion envisions postponing payment for the purchases by the purchasers if the transactions are completed before the agreed-upon deadline or in a large volume. Individual economists also express the opinion that it is necessary to introduce billing and accounting for bills, assuming that this will serve as a basis for strengthening the credit system for monetary circulation as a whole.

Let us note that in economic practice now we already utilize elements of commercial credit. For instance, there is a policy whereby the purchaser has the right to refuse to pay for a product that is delivered ahead of time, to accept it for responsible storage, and to pay for it at the time the delivery is supposed to take place.

It would seem that attention should also be given to the proposal concerning the application of principles of commercial credit in interrelations among structural subdivisions of large enterprises and associations and the proposal concerning the creation at the level of the highest economic agency of a kind of bank or account center that provides for accounts and payments for products and services among enterprises under departmental jurisdiction. Today such "subbranch banks" are already in operation in the system of the agroindustrial complex. Thus the financial accounting center of the agroindustrial combine Kuban uses elements of commercial credit in all accounts among enterprises, organizations and kolkhozes that are included in this combine.

At the same time unlimited development of commercial credit, in our opinion, can lead to negative consequences. It is already clear that commercial credit makes it considerably difficult to evaluate the cost-accounting activity of the enterprises. For example, by regularly drawing the funds of their business partners into circulation they can considerably cover up their lack of real self-support and self-financing as well as their true financial position.

Extensive application of commercial credit can also lead to a weakening of bank control through the ruble and narrow the sphere of bank credit—one of the most important economic methods of management of the national economy.

Moreover, the possibility for the enterprises to receive credit not only from the bank but also from their business partners (suppliers, purchasers), in our opinion, can lead to losses of payment funds with all the consequences that ensue from this for the condition of monetary circulation in the country.

In conclusion I should like to note that while paying attention to the growing interest in commercial credit, the USSR Gosbank suggests, taking into account the results of the activity of enterprises under the conditions of cost accounting and self-financing and also the results of the experiment that has been conducted for utilizing commercial credit, that we take a closer look at the question of expanding commercial credit in the practice of socialist management.

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Bunich on Development of Commercial Credit
*18200175a Novosibirsk EKONOMIKA I
ORGANIZATSIYA PROMYSHLENNOGO
PROIZVODSTVA (EKO) in Russian No 3, Mar 88
(signed to press 29 Jan 88) pp 3-18*

[Article by P. G. Bunich, corresponding member of the USSR Academy of Sciences (Moscow): "The New Economic Mechanism and the Credit Reform"]

[Text] The economic mechanism according to which both macro- and microeconomics are controlled mainly by centralized administrative methods has reduced the functions of the bank to a minimum. The radical economic reform that has been conducted sharply increases its role. It is necessary to create a banking system which will serve socialism under the conditions of full functioning of commodity and monetary relations and will provide in its sphere for the regulating role of the law of value with respect to the qualitative peculiarities and advantages of the first phase of the communist formation.

If resources for satisfaction of all the needs recognized by the society are allotted from above, in the event that the enterprise fulfills its assignment precisely there is practically no need for loans. Loans are required with underfulfillment and overfulfillment of the plan and also in connection with the appearance of unforeseen needs. The USSR Foreign Trade Bank grants credit in foreign currency for purchasing goods abroad (equipment, machines, materials, models of new items, licenses) not envisioned by the import plan.

In recent years there has been more long-term credit for planned capital investments. It has reached 65 percent of all the loans for state investments.¹ But on the whole long-term credit remains on a level that does not correspond to its potential capabilities. Under these conditions one should not be surprised that long-term credit comprises only 5-6 percent of the sources for financing capital investments.²

In carrying out its tasks the bank tries to monitor economic activity and not allow unjustified expenditures.³ Elementary, clearly evident violations stopped but those that required deeper analysis, as a rule, are not revealed.

In order to strengthen its control role, the bank was forced to replace part of the normative of circulating capital at the enterprises with credit.⁴ But this did not improve its utilization. Credit is granted automatically and it is easier to make up for a shortage of circulating capital with this than it is from the corresponding funds of the enterprises. The only thing about this replacement that should have alarmed the labor collectives is the bank interest. But here too the alarm turns out to be false: the interest is low, is payment is envisioned by the financial plans, and it does not exert any essential influence on cost-accounting incomes. This kind of system of credit developed mainly in the stage of changeover to industrialization. Its major outlines were developed by the credit reform of 1930-1932. And they exist to this day.

More Active Participation of Banks in the Work of Enterprises That Have Been Changed Over to Self-Financing

Another situation arises with the revolutionary restructuring of the economic mechanism that is currently being carried out and the establishment and deepening of true self-financing. Then the enterprises at the peak of profitability caused by the growth of income from the output of new products, the introduction of new technology, or both of these together, can have surplus funds which they will not need until the incomes drop below the normative level. These funds in the form of financial reserves remain in the bank accounts of the enterprises. Nor can one rule out the surpluses of funds in excess of financial reserves when the latter have already been provided up to the norm but nonetheless free funds remain. Of course, in principle these can be spent on something. But with sufficiently high interest rates paid by the bank for the utilization of these funds (so-called "deposit interest") it is more advantageous with labor collectives to leave the free monetary resources in the bank than to spend it with less effectiveness.

Financial resources are also temporarily released regardless of the updating of technical equipment and products. Thus if no changes that require new investments are taking place in production amortization deductions can be released up to the time of renovation (replacement) of the worn-out object. Funds for purchasing raw and processed materials (reimbursed from revenues) are accumulated up to amounts which will make it possible to acquire a relatively large batch (which makes it possible to provide for not one but several reproduction cycles).

On the other hand, with self-financing individual enterprises can end up in a difficult position. A reduction of their profitability and the initial stage of updating of the production apparatus and the changeover to new models of items can be brought to a point where normal financial reserves cannot bring the enterprise up to the normal level. Their hopes for future success are linked to additional investments, the enterprises are vitally interested in external sources of growth, that is, loans. The banks act as pumps which pump surplus funds from certain collectives into others where there is a shortage of these funds.

Of course this is not done free of charge. The more so since drawing surpluses into national economic circulation means paying deposit interests to the enterprises. When issuing funds to cover temporary needs of other enterprises the banks compensate for this interest, cover their own expenses, and receive profit.

The credit reform is called upon to provide for increasing "entry" of bank loans into planned reproduction and reimbursement for shortages (redistribution of surplus) of resources on this plane by expanding the sphere of action of credit. Credit is becoming one of the major economic levers of management and an important derived function of the bank—control—is carried out on its basis. The bank can perform this function by having more complete information about the interrelations between the enterprises and the budget, the ministry, the suppliers, and the consumers. Consequently, the bank's role as a factor in reproduction becomes primary, and its control mission becomes secondary.

Is a Drive for Self-Financing Necessary?

In order for the credit reform to begin to have an effect it is necessary to create in the basic management unit economic conditions which will fully reveal resources that are surplus and those that are in short supply. The current policy of self-financing does not do this. Expenditures of enterprises that have been changed over to self-financing are considered and "legitimized" by the higher organizations. The amounts of the economic incentive funds are established for them according to the base, taking into account the growth of certain indicators. Depending on the amount of "free" profit, differentiated amounts of payments for funds are envisioned (some of the enterprises are released from these payments while the rest annually transfer into the budget from 2-8 percent of the value of their production capital).

For these enterprises they plan deductions into the centralized funds and reserves of the ministries (a large group are released from them and then they successfully lay claim to others' deposits). The residual profit, if there is any, is to be deposited into the budget with the next and basic differentiated payment—deductions from profit. With this approach the collectives, as before, increase expenditures and lower results and payments

into the budget, and they make greater claims on external resources they have not earned. Interest in the adoption of more difficult plans is aroused by the advantage of obtaining and fulfilling easier assignments. To be sure, it has been established that from the economic incentive funds calculated annually for the five-year plan one takes out the average annual amount, which has been coordinated with the average annual profit and from this one obtains a normative that is subsequently used as the single one for each year of the five-year plan.⁵ This eliminates the interest of the enterprises in postponing the mobilization of a certain part of their internal resources until the period when the increased normative appears. But in the rest of the reserves which comprise the major part nothing is changing as compared to the existing situation since the individual normatives register the conditions for reproduction in existence at each enterprise. We are faced with a drive for self-financing.

If the aforementioned methods of the drive are not sufficient, additional ones are added: nonreimbursable redistribution of the amortization fund, unjustified differentiation of normatives for the formation of the incentive funds, and other economic normatives. None of this contributes to solving the problem either of a surplus or of a shortage of funds and it undermines the significance of credit.

Enterprises of the Ministry of Chemical Machine Building are close to the true model of self-financing. Here from the profit according to unified branch scales of the tax type they deduct two payments into the budget: the first—depending on the level of profitability as compared to the production cost (a kind of income tax) and the second—on the level of profitability with respect to production capital (a variety of property tax). The payments depend on the level of profitability and do not depend on the amounts of profit used for internal needs. Under these conditions, the higher the profitability and the less the internal needs of the collective—in spite of the proportionally increasing payments into the budget—the greater the amount of income left at the disposal of the enterprises. Good work receives encouragement. The opposite picture arises with poor work. Such is the overall plan.

Its concretization, however, reveals significant deviations from consistent self-financing. Let us take the wage fund—the main economic nerve of the motivation system. It is determined that the sum of the base fund and the increase for increasing the normative net output (or other indicators). The accepted policy (or, rather, lack of policy) leads to a situation where all the enterprises receive ahead of time the wage fund that corresponds to the needs and plans recognized from above and make full payment in the event of fulfillment of the established assignments. In this case there is no significant shortage or overage of funds and there are no significant reserves for insurance against large fluctuations of the results of

production nor is it offered to augment insufficient incomes through credit. According to this logic, at the present time no credit is issued for increasing the wage fund.

A step forward was the norm setting for wages (payment for labor) from the actual net output. The latter make it possible to perceive the savings (overexpenditure) of material resources that are not reflected by the indicator of normative net output. The variations of the indicator of the actual net output are applied by state trade, consumers' cooperation, and individual geological prospecting organizations and material and technical supply organizations. The wage (payment for labor) fund in the BSSR Ministry of Light Industry, BSSR Ministry of Local Industry and BSSR Ministry of Consumer Services and the number of kolkhozes and sovkhozes are formed from the gross income.⁶ And in the Ministry of the Petrochemical Industry—from the produced net output. Because of the performance by enterprises of construction work, the rendering of consumer services to the population and the performance of other nonindustrial and nonproduction functions there arises the question of whether or not it is necessary everywhere to introduce the indicator of gross income—for calculating wages, labor productivity, and so forth. The step that has been taken would be much more successful if the normatives for wages were no longer oriented to the level that has been reached and if the "status quo" were not fixed.⁷

In the Ministry of Chemical Machine Building it turns out that the incentive funds are formed in the old way: the "base" plus an increase for increasing the incentive indicator adopted for each of the funds. The situation is similar to the determination of the wage fund. With the agreement of the higher agencies the incentive funds are established immediately in the amount of the normative needs: there is no need for either financial reserves or for credit. Reserves are allowed for funds for social development, but in a miserly amount—up to 5 percent of the sum of these funds and the funds for the development of production, science, and technology. And credit is not granted for measures that are implemented with the funds for social development. In other words, life is smashing open the old system. Only the material incentive fund has "held fast." Reserves in the sense used here are not created for it and credit is prohibited.

The difference between the profit that goes into the cost-accounting income of the enterprise and the incentive funds forms the fund for the development of production, science, and technology. Only this fund is not "stored up" ahead and can end up to be either too much or too little. If the money from the fund for the development of production, science and technology exceeds the needs of the current period and if additional deductions have already been paid from it into the financial reserves and previous credit has been repaid and, nonetheless, there still remains a part free from investments at the given enterprise, it can be transferred into the centralized fund of the ministry within the limits of the

amortization fund. Only the amount of the fund for development that is free after this transfer remains at the disposal of the enterprise. It is not specified what can be done with it. Apparently it can be kept in the account of the fund for the development of production, science and technology, and receive loan interest for this. This would be a kind of second financial reserve.

The credit reform presupposes calculating deposit interest for all deposits of the enterprise that are kept in deposit accounts in the bank. Up until recently interest was not paid on this money. Then they began to be added to the residuals of the fund for the development of production, science and technology, in a miserly amount—0.5 percent annually. The USSR Law on the State Enterprise (Association) extended its policy to the fund for social development. Interest is also calculated on free residual funds of the enterprises in foreign currency. The money from the material incentive fund and financial reserves will be changed over to a deposit basis.

On instructions from the enterprises the banks transfer money from their running accounts to pay suppliers of raw material and batching items. The banks also keep accounts with builders and other partners. Payment for this work is considered to be interest-free mobilization by the banks of the money of enterprises that is kept in running accounts.

If the consumer enterprises do not promptly pay the account of the supplier enterprises, apparently they must make reimbursement for the damage caused by this, including possible losses of deposit interest. It is expedient to consider the accounting for these losses to be mandatory when determining the compensation for all other kinds of damages (from failure to meet deadlines for the delivery of products, the manufacture of commodities with deviations from the state standards for quality, and so forth).

The Amount and Sources for Payment of Interest on Credit and the Basic Sum of the Debt

The next important issue is the amount of the loan interest. Loan interest is frequently called the cost of credit. This is not so. The cost of credit is the sum of credit and the loan interest. Interest is part of the value of the added product created by live labor with the utilization of the loan that has been taken out. This year loan interest for accounting documents en route is equal to 2 percent, long-term loans for planned capital investments of state enterprises—1 percent, and when the time period for returning the money is reduced the interest is reduced down to 0.5 percent, and with an extension of the time period—it increases to 2 percent annually.

Such loan interest rates correspond to the stage of formal, passive credit. The time has come to change these rates and bring them in line with the relationship between supply and demand for the loan fund and to

make them mutually advantageous both for the enterprises and for the bank. This need has already been manifested with respect to the enlistment of the currency funds of enterprises and organizations as credit resources and the issuance of currency credit to collectives involved in cooperation with partners from the socialist countries that have been given the right to enter directly into other markets and also joint ownership enterprises and international economic organizations. The interest rates for credit and passive operations carried out in transferrable rubles of the international bank for economic cooperation are: for credit—from 3.5 to 5 percent annually, for investments—from 2.5 to 4 percent annually, and when interest that is paid on a running account—1.5 percent annually. The interest should be differentiated depending on the risk of the investments, the planned time periods for which the credit is being granted, and the measures for observing these time periods.

It is necessary to determine the part of profit from which the interest will be paid. In certain branches it is deducted from profit after the payment for funds, that is, it is reflected in all the incentive funds and deductions from profit into the budget, including in all organizations that have been changed over to self-financing—from the funds for the development of production, science, and technology. If there is credit for the wage fund and the material incentive fund, the question of the specific sources of payment of interest becomes even more important. The payment of interest on all credit from the development funds involves reducing the amounts of these funds, and increasing the funds for wages, material incentives, and social development.

In our opinion, the policy for paying back long-term credit is more justified: the payment comes from the funds for which the credit was granted (the development of production, science and technology, social development). This policy precludes covering part of the debts of the collective with budget revenues and corresponds to the rule included in the USSR Law on the State Enterprise (Association) but the state is not responsible for the obligations of the enterprises.

It is also necessary to work on the mechanism for returning the principal of the loan. This pertains primarily to long-term loans for the creation of fixed capital. They are now paid back over 6 years from funds for the development of production, science and technology (in other words—through amortization and profit). If the object that is introduced is to serve for 10 years, amortization over 6 years will make it possible to return only 60 percent of the debt. The remaining 40 percent will have to be paid out of profit. Let us assume that the utilization of the facility provides for normative profit. Some of it will go for paying interest and some—in the amount of the normative for cost-accounting needs of the enterprise—will remain with the enterprise. If it cannot pay for a sufficient sum of the debt, the cost-accounting needs remain unsatisfied. This means that

normative profit cannot be used for repaying credit. Above-normative profit can be used for this, but this is more an exception than a rule. Where is the solution? From what source should credit be repaid in order not to cause harm to the reproduction process? Amortization funds comprise this source. In order to have enough of them to repay the loan it is necessary to bring the time periods for which it is granted in line with the amortization. Then there will be a balance between the accumulated amortization funds and the repayment of the credit that has been received.

First Steps Toward Commercial Credit

The establishment of the new economic mechanism and, above all, self-financing places on the agenda the question of commercial credit. The major form of commercial credit is the sale of goods on time payment. It is becoming more and more difficult to make full payment for complicated products that are subject to assembly, gradual startup, and stage-by-stage assimilation. In order to sell them more rapidly it is frequently necessary to agree to time payments. One is forced to do this also by the fact that other sellers of these products are doing it. Because of time payments the scale of the transactions also increases and good prospects and conditions are developed for sales in the future. But the supplier loses from this as compared to complete payment in cash. He loses the amount he could have earned by investing the money in production or at least what he could have learned by investing it in the bank. In order to compensate for this loss the lender sells the goods at a somewhat higher price or delivers a smaller volume of them.

Commercial credit is also used for advancing material resources—the consumers give their suppliers equipment and raw material. For this the borrower subsequently gives the lender his products on a compensatory basis.

Commercial credit is distinguished by its maneuverability and the rapidity of the procedure for granting it. Its force lies in that the partners are placed in a position of strict mutual control over the results of the activity. Yet in a number of respects commercial credit is not as good as bank credit. It necessarily presupposes mutual interest on the part of a specific pair of partners. This narrows the selection of partners as compared to bank credit which makes it possible to select not only a seller who is willing to give money in advance and accept time payment, but also any other one. Bank credit consequently creates conditions for stricter selection of partners and higher requirements on the quality of the goods, the time periods for delivering them, and the price.

Bank credit is cheaper than commercial credit. This is caused by the fact that the bank is better aware of the situation of the enterprise, it is more familiar with its credit capabilities, and it risks less. The bank has greater monetary resources (for it exists by drawing them in)

which are distributed in various places and on average provide for stable incomes. For these reasons the bank will agree to a lower interest rate.

The lender enterprises risk more. Therefore they look for guarantees in the form of first-class banks and pay for these guarantees. The exchange notes that are received are taken into account in the banks, for which a book-keeping rate is charged. Thus commercial credit is replaced by bank credit. The borrowers return the loans directly to the banks.

The first steps toward commercial credit have already been taken. The USSR Law on the State Enterprise (Association) grants the enterprise the right to transfer material and monetary resources, including economic incentive funds, to other enterprises and organizations that perform work or services for this. This formulation at least does not preclude and rather even presupposes the transfer of resources before the beginning of the production of products, and timely, advanced issuance of money and incentive funds is commercial credit, regardless of whether interest is paid for this or not.

Enterprises that have been changed over to self-financing can transfer to planning and research organizations part of the wage fund for the development of documentation for technical reequipment. This can also be considered a kind of commercial credit. The founders of small light industry enterprises of Estonia can grant them temporary financial assistance, including foreign currency (the latter is paid back through exports).

Since 1987 trade has been accepting from industry goods manufactured with deviations from the contracts in terms of assortment on a commission basis with payment as they are sold. Industry, consequently, is essentially delivering them on credit. According to the USSR Law on the State Enterprise (Association) insolvent enterprises that have forfeited the right to receive bank loans are granted funds by the higher organizations to pay for products (jobs, services) from centralized funds and reserves under the conditions of reimbursability. Money from centralized funds for the development of production, science and technology and reserves of ministries whose enterprises have been changed over to self-financing can be spent to render temporary financial assistance to associations, enterprises and economic organizations. Since these funds and reserves appeared from special-purpose deductions of businesses under their jurisdiction, assistance from them is tantamount to commercial credit. The Kuban Agroindustrial Combine has created a financial-accounting center where it keeps the funds of 58 enterprises that form this complex and these funds are used for internal (commercial) credit. Interest is calculated on the resources of the enterprises. Suggestions are being made to grant loans from the financial resources of the enterprises to their structural units and internal subdivisions.¹⁰ For procuring and processing secondary raw material cooperative members receive monetary advances from enterprises with which they have contractual relations. Their circulating capital

is formed with the help of monetary advances from territorial Gosstab agencies. Commercial credit can be obtained from firms by joint enterprises of the USSR and their socialist partners.¹¹ A considerable share of the equipment from capitalist countries is acquired by our country on credit—bank and firm credit. The indebtedness is frequently retired by goods produced with the help of this credit. The need to develop commercial credit ensues also from granting all enterprises the rights to conduct direct foreign economic cooperation with enterprises of socialist countries, the more so since the group of enterprises is permitted to conduct export-import operations.

It is now commonly thought that it is possible to do anything that is not prohibited by the Law on the State Enterprise (Association). Commercial credit is not prohibited which means that it is possible in all of its forms.

The practice of a number of socialist countries shows the effective action and the broad sphere of application of commercial credit (Hungary, Bulgaria, Poland, China and so forth). In Bulgaria enterprises can agree to payment for goods on time (up to 3 months). In Hungary the enterprises can sell other enterprises (and the population) bonds that indicate that they have used monetary funds in their production with payment depending on the income that is received. If cost accounting introduction centers and management consulting points appear, for their successful activity which is arranged taking into account the peculiarities of the client enterprise, it is also justifiable to have preliminary commercial credit. This is confirmed by the experience of Bulgaria where the introduction firm Progress extensively uses loans from the enterprises.

In addition to arguments in favor of the development of commercial credit there are also conclusions against this measure. Opponents of commercial credit assert that its utilization causes an increase in the number of uncontrolled processes in the economy that are unnoticed from above. But, in the first place, commercial credit operations will be conducted through the corresponding accounts of the enterprises in the banks. In the second place, the policy of independence of enterprises requires expansion of the sphere of direct ties in the national economy, which should be considered a merit and not a shortcoming. Expansion of the rights of labor collectives, the changeover of supply to direct ties, and their utilization even in the area of foreign economic relations increased the effectiveness of the socialist economy and make it possible for central planning agencies to concentrate on the major, strategic problems and improve the quality of decisions that are made on the scale of the country.

It is also asserted that commercial credit will be used by the recipient enterprises to augment their own financial shortages and restore circulating capital that has been "eaten up." If, however, they proceed from the serious cost-accounting interest of the enterprises which grant this credit, they will be able to use the ruble to counteract

any diversion of the loans they have granted from the intended purpose and require prompt and strict fulfillment of commitments for which the credit resources were granted and severely punish those who violate those commitments. The suppliers are not philanthropic organizations: they grant money not so much to those who need it as to those they need themselves.

Voices ring out saying that in order to satisfy the claims of the creditors the enterprises that are operating poorly will have to sell their property and possibly even close down. But, in the first place, this argument for some reason does not impede the utilization of bank loans. And, in the second place, hopeless enterprises apparently deserve to be closed down. It is said that material resources cannot be "pledged in support of" commercial credit and therefore it is not especially useful to the recipient enterprises. At one time it was thought that there was no future for noncentralized investments, that they supposedly were not backed by equipment, capacities of construction organizations, or construction materials. Subsequently measures were adopted so that non-centralized investments were the first to be "backed by goods." After longstanding doubts wholesale trade in means of production began to develop and a mechanism was developed for balancing orders for supply with the available capabilities. At one time one could find in the press many statements to the effect that budget financing was better than bank credit because the former is coordinated and the latter, supposedly, is not coordinated with planned material coverage. Now such critical evaluations of bank loans are being transferred to commercial credit. It seems that the problem of pledging goods in support of commercial credit will also be solved. New possibilities are opened up by wholesale trade in means of production and the creation and utilization of the necessary reserves of production capacities.

Finally, this objection is made against commercial credit: its application will narrow the sphere of bank credit which is known to be considered a higher class of credit. We have noted that commercial credit has its range of application where it has advantages over bank credit. At the same time, in places where there is no justification for direct reciprocal credit among enterprises or it does not exhaust the need for credit, bank loans have the advantage. The area of their utilization is broader than the area of utilization of commercial credit.

The implementation of the credit reform is not limited to the proposed recommendations. It presupposes solutions to many other no less, and possibly even more important problems. Their existence increases the need for radical restructuring of credit relations of the constituent part of the entire economic mechanism.

Footnotes

1. "The USSR National Economy in 1985," Moscow, "Finansy i statistika", 1986, p 568.

2. EKONOMICHESKAYA GAZETA, No 16, 1987, p 6.

3. One especially singles out the emission activity of the bank related to the circulation of cash money and other monetary circulation.

4. In the sources for forming circulating capital credit comprises 57 percent, including in industry—51 percent (EKONOMICHESKAYA GAZETA, No 16, 1987, p 6). In the normative for circulating capital of retail trade and consumers' cooperation bank loans account for 85 percent of the funds. In 1985 credit was used to pay for 75 percent of the cost of equipment for construction projects. When enterprises are changed over to self-financing their circulating capital is formed from their own resources.

5. Thus the only ones will be the annual normatives of deductions from profit into the budget whose application is called the system of normative distribution of profit.

6. The realized net product from all kinds of activity, and not just from industrial production activity, which is used for calculating the traditional net output—realized and produced.

7. One cannot fail to mention the fact that in certain branches a step backward has been taken: instead of the normative net output the wage-forming indicator is the commodity output (Ministry of the Timber, Pulp and Paper, and Wood Processing Industry and others).

8. Although the reserves of the ministries for incentive funds can reach 15 percent of their planned sums in the system as a whole, in the majority of cases they are actually much lower. Thus in 1985 the reserve for the funds for social and cultural measures and housing construction in the Ministry of Nonferrous Metallurgy was 7.8 percent, the Ministry of Agricultural and Tractor Machine Building—6.3 percent, the Ministry of the Machine Tool and Tool-Building Industry—4.6 percent (EKONOMICHESKAYA GAZETA No 10, 1987, p 17).

9. Under conditions of self-financing loans are granted for the total need and the payment is averaged out: for planned credit it is reduced to approximately 5 percent, and for above-plan credit it is increased to 8 percent.

10. EKONOMICHESKAYA GAZETA No 10, 1987, p 17.

11. PRAVDA, 27 January 1987, p 2.

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Gosbank Official on Principles of Enterprise Credit

18200175b Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 3, Mar 88
(signed to press 29 Jan 88) pp 18-28

[Article by V. S. Zakharov, member of the board of the USSR Gosbank (Moscow): "Credit and Self-Financing"; a discussion]

[Text] I should like to begin the discussion of the topic by expressing my attitude toward the movie "From Wages to Wages" which essentially tells about an enterprise on self-financing. While watching the film, like a bank worker, I always had a fear that sooner or later the bank manager would be "broke" and regardless of anything would have to pay the money for wages. I was very happy that this did not happen. If only it were always like this in practice....

In my opinion the footwear factory did not provide for self-financing and returning the credit within the established time period because of three reasons. Two of them are obvious: the marketing of poor-quality products and the diversion of funds into incomplete construction of a new shop. Perhaps not everyone has paid attention to the third reason. It is that at the enterprise they were in a hurry to establish higher wages for the workers. They were introduced with respect to the concrete labor contribution which had not yet been reflected in the final results of the work of the collective.

The hero of the film—the director of the footwear factory—was a good manager but he was poor at finances. But is it really possible to say that a person is a good manager if he cannot keep track of his money? After all, managers of all enterprises working under the conditions of self-financing have to do this, just as they have to think about paying back credit before they obtain it and not afterwards, as is now the practice.

In the report by M. S. Gorbachev at the 27th CPSU Congress it is noted that credit has lost its true purpose. The imperfection of the economic mechanism has contributed to this to no small degree. The changeover to self-financing of enterprises will make it possible to return credit to its true purpose.

A most important factor that determines the need for credit in the socialist economy is the functioning of enterprises under the conditions of cost accounting. The utilization of credit in economic activity presupposes circulation of funds at the end of which they assume monetary form. Here it is very important that funds enough to completely retire all credit and pay interest on it be left at the disposal of the enterprise. This is not always observed under existing conditions of management. The circulation of funds of the enterprises is not completely closed. On the one hand, when the enterprises create funds they use not only their own funds but

also funds of the branch and the state budget. In a number of cases losses are covered for certain enterprises at the expense of the profit of other enterprises that are operating well. On the other hand, the money earned by the enterprises is not always left at their disposal. Sometimes it is removed for good, which limits the enterprise's possibilities of paying back bank credit promptly and completely.

In the final analysis this exerts a negative influence on the development of credit relations. The need for credit here is influenced not only by the existence of cost accounting, but also by the inadequacy of internal circulating capital and other attendant circumstances. In a number of cases credit is used not to strengthen but to undermine cost accounting. This takes place when credit is used to cover supplies of commodities that are unsuitable for industrial or private consumption, shortages of internal capital, and other financial shortages. The utilization of credit in these cases camouflages the real state of affairs, as though driving the disease deeper. As a result the stimulating and monitoring role of credit becomes weaker.

Self-financing presupposes that funds for reimbursement, consumption and accumulation, minus funds for socially determined needs, are left at the disposal of the enterprises. Thus under the conditions of self-financing a relatively closed cost-accounting cycle of resources is created and the objective need for credit in a socialist economy is most fully manifested.

The role of credit increases because of the fact that it becomes the only (except for internal funds) source for financing expenditures at enterprises that are in operation. The production, technical and social development of associations and enterprises are carried out through the fund for the development of production, science and technology, the fund for sociocultural measures and housing construction, and bank credit. The credit is repaid from these funds.

The sphere of credit relations between the enterprises and the banks is expanding. This is determined primarily by the significant reduction of the processes of redistribution of money by the financial method. The fact that the money they earn cannot be taken away from the enterprises gives rise to the need to distribute it by the credit method. During certain periods the internal funds of some enterprises will exceed the possibilities of their utilization and for others, conversely, the need for funds will exceed the existing amounts. This is where credit comes to their aid. The preference for it over the financial method is determined by the fact that the enterprises that have earned money still own it. Moreover they become a credit resource and it is utilized through the bank under the condition that it will be returned.

The need to return money obtained on credit within the established time periods and through internal resources is a mandatory condition for self-financing. This condition should motivate the enterprises to use credit economically and for the most effective measures.

Under the conditions for self-financing there is a considerable increase in the economic substantiation of the needs of cost-accounting enterprises for borrowed money. The fact that the money they earn is left at their disposal makes it possible to calculate the planned need for credit fairly precisely and if the plan is not fulfilled—the above-plan need for credit. Self-financing makes it unacceptable to write off the indebtedness of enterprises through credit using funds from the budget or the bank and this means that it can increase constantly and steadily. During certain periods this indebtedness should be reduced through the relatively greater utilization of their own funds for financing expenditures. The constant growth of loan indebtedness which outstrips the increase in the production and sales of products and material supplies shows that the enterprise is not providing for financing all the expenditures through its own sources.

Credit as an economic method of management is one of the means of centralized regulation of the activity of self-financed enterprises. This management is carried out through establishing the objects and the time periods for credit and the amounts of the interest rates. The objects for credit limit the sphere of application of credit and set boundaries for the application of the financial and credit methods of redistribution of monetary funds.

In principle the objects of credit can be expenditures for advances on future incomes, mainly the totality of expenditures that produce the final result in the form of monetary earnings from which the credit is repaid.

The next elements in credit that is regulated centrally are the maximum time periods for credit. The concept of self-financing includes self-recoupment, which presupposes that the funds invested in the functioning of the enterprise should be recouped and bring profit that corresponds at least to the normative coefficient of effectiveness (profitability). This requirement pertains not only to the funds of the enterprises, but also to bank credit. For credit for the formation of circulating capital the time periods for repayment should not exceed the individual cycle of the funds. If credit is extended for seasonal or temporary supplies (the list of these is regulated by the range of objects of credit), when as to the time period for repayment the periods of planned accumulation of these supplies.

The time periods for credit for capital investments should determine the temporary limit on the receipt of normative profit as a result of the implementation of the measures for which credit is received. Revenue from the sale of products is the result of completing the cycle of

funds formed as a result of credit and therefore the specific time period for repaying the credit should be based on the time this revenue is received.

The second source of repaying credit are funds of the enterprise the temporary shortage of which was the reason for the need for credit. The specific time period for payment is established with respect to the time of the formation of the corresponding fund in amounts that exceed current expenditures from it. In turn, current expenditures should be limited to the time when the maximum credit expires.

The interest policy also requires centralized regulation since it is linked to the distribution and redistribution of net income. But it is sufficient to establish centrally the maximum and minimum interest rates and also the rights of the banks to differentiate them depending on the final results of the activity of the borrowers. Thus USSR Gosbank institutions are permitted to increase or lower interest rates on credit by 50 percent, depending on the efficiency of the utilization of internal circulating capital by enterprises operating under the condition of self-financing and changes in the above-normative supplies of commodity and material values as well as the promptness of the settlement of accounts with suppliers and banks.

The remaining elements of the credit mechanism—methods of extending credit, forms of loan accounts, the policy for repayment of credit—should also be determined by the banks. It was expedient for enterprises on self-financing to be granted extensive rights to select the methods of credit from those that are centrally established. At the same time their material responsibility for violation of the rules for conducting credit and accounting operations should be irreversible.

In our opinion, credit for the totality of material supplies and production expenditures corresponds best to the principle of self-financing. With this credit policy the enterprise has placed at its disposal borrowed funds in amounts necessary to provide for the normal course of the production process. Within the limits of this sum it is allowed to maneuver the funds among individual elements of the normed circulating active capital. Bank control is directed toward the final results of the activity of the enterprise. If it provides for self-recoupment and self-financing the credit is returned within the established time periods.

This method of credit is based on the observance by the enterprises of the planned amounts of material supplies on the basis of which the planned amounts of credit are calculated. The object of credit is the totality of all normed active capital and also commodities that have been delivered. Thus it encompasses the entire cycle of funds—from their advancement for the acquisition of raw and processed materials to the receipt of earnings

from the sale of products. The credit is granted from a single loan account for the payment of payment documents, the issuance of wages, and the deposit of turnover tax into the budget.

It should be noted that there are many opponents of issuing funds for wages through credit. The reasoning is that the enterprise itself should earn the money necessary for paying wages. In principle this is correct. Only the method of achieving this goal causes objection.

At the majority of enterprises the wage fund is determined by its amount for the past year and the increase for each percentage of increase in the normative net or commodity output. This policy for determining the wage fund frequently makes it possible to increase its amounts because of the application of reduced output norms, the output of poor-quality products, outdated assortment, or other factors. An increased wage fund is included in the production cost of the products which correspondingly reduces profit. As a result the planned wage fund is determined before and independent of the results of management.

It would be incorrect to try to rectify this shortcoming by curtailing credit for expenditures of wages if, of course, the enterprises are observing the established policy for the formation and expenditure of wage funds. And this is also useless under the conditions of the priority for issuing funds for wages from running accounts. In the final analysis wages will be paid and payments will be held up for other commitments. At a number of enterprises the formation of wage funds depending on income and as a result of the distribution of newly created and realized value contributes to a radical solution to this problem.

A principally new position with credit for the totality of supplies and expenditures is the establishment of the general maximum sum of credit to be advanced. This is achieved through limiting to the planned amount of credit the sums of regular-term and extended indebtedness on loans. Until recently this limit did not exist, which enabled poorly operating enterprises to return money received on credit with a great delay and thus bring practically unlimited sums of credit into circulation. Under these conditions control over the observance of the planned amounts of regular-term credit was formal in nature.

The existence of above-plan supplies inevitably leads to exceeding the planned amount of credit. If an enterprise has sufficient economic justification, within a certain period of time the bank will allow this excess of credit but it will charge 8 percent annually (instead of 5 percent which it charges within the planned amount). The enterprise can cover above-plan supplies for a longer period of time only with its own funds and credit is no longer granted to it. For enterprises for which normatives of maximum supplies per ruble of output have not been established it is necessary to develop a methodology for

determining the planned supplies of commodity and material values. In any case these supplies should increase more slowly than the production of products does. The solution to this problem is of great significance for correct organization of credit relations.

The policy for satisfying the need for borrowed funds in order to settle accounts during temporary financial difficulties has changed fundamentally. The existing policy for granting paid credit makes it possible to use it to cover a shortage of internal circulating capital, above-plan supplies and other shortcomings in the operation of the enterprises. With credit for the totality of supplies and expenditures it is taken into account that the normal need for paid credit derives from a lack of correspondence between the time periods for payments and the income of funds. To these purposes credit is granted either completely or partially for goods that have been dispatched but have not been paid for on time. Thus one eliminates the need for credit to pay for billing documents and prevents the utilization of credit for inappropriate purposes.

The functioning of enterprises on principles of self-financing creates prerequisites for more extensive application of credit agreements. Their subject can be the complex of expenditures of a capital and current nature related to technical reequipment and reconstruction of the enterprises. It is possible to stipulate in the agreement the list of expenditures which the bank will accept for credit and the interest rate for the use of this credit. The conclusion of a credit agreement between the bank and the enterprise presupposes a partnership. As a partner and in order to guarantee prompt repayment of the credit the bank will have the right to demand a certain shared participation of the internal funds of the enterprise in making the expenditures for which the credit is granted. This proportion can be differentiated: lower for financially stable enterprises that produce high-quality products and higher for enterprises which the bank trusts less.

Under the credit agreement the bank allots the enterprise a certain sum of money with the right to spend it for production purposes within an established time period. The enterprise commits itself to completing all the work within a particular time period and repaying the credit with the money remaining at its disposal. One of the incentives for early retirement of credit can be a significant reduction of the interest rate.

Under the conditions of the functioning of enterprises on principles of self-financing it is important to differentiate their credit depending on the quality of their work. The right to credit should depend exclusively on the indicators related to the organization of credit relations. These indicators include: the maintenance of internal circulating capital, the observance of the planned level of supplies of commodity and material values, the promptness of settling accounts with the banks and the suppliers.

The maintenance and multiplication of internal circulating capital is an important indicator of the observance of the principle of self-financing. For if the enterprise spends money allotted to it one cannot even speak about self-recoupment. For an enterprise on complete cost-accounting the financing of the increase in the normative of internal circulating capital is done with money from the fund for the development of production, science and technology. Thus the barriers are broken between the source of financing of internal circulating capital and fixed capital. Under these conditions there should be no situation in which an enterprise with a shortage of internal circulating capital conducts above-plan construction simply because it has increased funds for capital investments. For this shows an incorrect distribution of the income that is received between current activity and capital expenditures.

Apparently it is necessary to establish a particular ratio between the growth of fixed production capital and circulating capital. The bank could monitor the observance of this ratio under the condition, of course, that credit and financing of both current and capital expenditures would be concentrated in a single bank. This would place the determination of the need for credit for material supplies and for current and capital expenditures on a firm economic basis.

One of the conditions of financing both current and capital expenditures from the fund for the development of production, science, and technology, it is expedient to concentrate the money from this fund in a single bank which will be interested in correct distribution of the money from the fund among current and capital expenditures. It could take responsibility for monitoring the observance of the ratio between the growth of fixed production capital and circulating capital.

Certain difficulties with correct organization of credit relations can arise because of granting enterprises the right to determine independently the normatives for internal circulating capital. It is possible to have unjustified reduction of the normatives in order to bring in increased amounts of credit. In this connection it is expedient to grant the bank institutions the right to consider the question of the justification of the normatives in the process of credit planning.

Enterprises on self-financing independently determine the financial plans on the basis of established indicators, quotas, and economic normatives. This creates the necessary prerequisites for planning credit directly in the bank institutions that grant credit to the enterprise. On the one hand, drawing up credit plans for the year improves the possibility of financial planning.

Changing the enterprises over to self-financing is accompanied by the establishment of their complete responsibility for the fulfillment of commitments to the supplier and consumers, the budget and the banks.

In addition to internal capitals for meeting commitments bank credit can and should be used. But its application for this purpose is correct only for short periods of time, when there are financial difficulties caused by the lack of correspondence between the time periods for payments and the receipt of funds.

The appearance of nonpayments on various commitments shows that actually this enterprise is not providing for self-recoupment and self-financing. For in order to carry out its activity it utilizes not only its own capital and bank credit, but also funds taken from the creditors. The appearance of nonpayments at enterprises operating under the conditions of self-financing is a signal that these conditions are not being observed.

In the economic press they have long been discussing the issue of introducing the calendar sequence of payments. It seems to us that this sequence could be introduced for enterprises that are working under the conditions of self-financing. Because for them one can see especially clearly, because of the aforementioned circumstances, that it is equally important to make payments on all commitments.

The differentiated credit conditions themselves require improvement. Under the conditions of self-financing it becomes extremely significant that there is such a bank privilege as reduction of the interest rate for credit. Therefore it should be applied fairly broadly for enterprises that are utilizing bank credit efficiently and observing the principles of credit. The basic means for assisting enterprises that are experiencing temporary difficulties can be an extension of the time periods for credit or postponement of the repayment of credit that has been granted previously.

The main measure of influence on poorly operating enterprises should be the higher interest rates for utilizing credit. Payment for these from the fund for the development of production, science and technology is directly linked to the cost-accounting interest. This does not preclude, of course, partial or complete curtailment of the credit for enterprises which for a long time have been operating unsatisfactorily.

In connection with the introduction of self-financing there again arise proposals concerning the revival of commercial credit in one form or another. It is being suggested, for example, that we permit consumer enterprises to transfer some of their monetary funds to the supplier enterprises so that they will fill orders faster and better and then subtract the amounts that have been paid from the bills for payment for the deliveries. In essence this means that the buyers advance money to the suppliers.

When considering this proposal one must keep in mind that the producers of the products are allotted internal circulating capital to provide for normal production activity and they have the right to obtain bank credit.

Under these conditions they can have a need for additional funds in the event that they have spent their own circulating capital or utilized existing circulating capital for the wrong purpose or have been deprived of their right to bank credit because of shortcomings in their activity.

The enterprises use the advances received from clients in order to cover financial shortages and not to fill orders faster or better. And the clients will not have the opportunity to check to make sure that their advances are being used for their intended purpose. As concerns temporarily free funds of individual enterprises, it is more expedient not to loan them out but to keep them in short-term accounts in banks and receive interest. These deposits will be a stable reserve of bank credit.

Another proposal envisions allowing the purchasers to postpone payment for their purchases if they were made prior to the contractual deadline or in an increased volume. Here it must be noted that a policy similar to the one proposed already exists: the purchaser has the right to refuse to pay for products that are delivered early, to accept them for responsible storage, and to pay for them at the previously established delivery time. But this creates a shortage of funds for the supplier who for a more or less extended period of time does not receive the earnings from product sales and this means that he cannot compensate for expenditures on their production, transform the added product into net income or conduct the corresponding distribution operations.

In order to prevent this it is suggested that the bank give credit to the supplier for the full value of the products he has delivered for the period up until he receives payment from the purchaser. But this is nothing other than indirect credit. Formally credit is issued to the supplier but actually it is used by the purchaser in the form of postponement of payment for the products that have been received. Under these conditions it is more expedient to grant the purchaser credit for temporary needs in connection with the early delivery of raw and processed materials. Subsequently the issuance of credit should be reduced by the corresponding sum.

The introduction of commercial credit will inevitably lead to a corresponding reduction of bank credits and since resources in bank accounts will decrease and the needs of the enterprises for bank credit will also decrease, this, in turn, will significantly improve the state of affairs with planning sources for the formation of circulating and fixed capital of the enterprises since commercial credit is not subject to direct planning. As a result, in our opinion, there will be a violation of proportions in the development of the branches and a lack of correspondence between the effective demand and the commodities to cover it. Planning of monetary circulation laws will become more complicated because short-term credit on which emission is based will be provided not by the banks but by numerous enterprises.

The curtailment of bank credit and its replacement with commercial credit will weaken bank control over the ruble since all measures of credit influence on the part of the bank will be compensated for by the enterprises through bringing more commercial credit into circulation. Here it is possible to transfer not only free funds, but also credit receipt from the bank, that is, indirect credit. The utilization of commercial credit will impede the evaluation of the observance of the principles of self-financing. By regularly bringing the funds of the suppliers into circulation the enterprises can camouflage the real state of affairs and the lack of actual self-recoupment which is an indispensable part of self-financing.

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Business Club Discusses Price Hikes for Public Services

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[Text] Prices for services. How high are they today? What will they be tomorrow? Does the cost of services correspond to their quality? And, finally, will our purse not flatten out more quickly under the conditions of the growing "battle" for us between the cooperators and the state service? These questions are bothering everyone today. And it is no wonder. In the final analysis all of us are walking "under the sphere of services" into the immediate proximity of the "ozone hole" of a shortage in this sphere.

There is one more fundamental issue: under the conditions of the radical economic reform is it possible to do without a revision of prices for services and if not, what should be the principles for their formation? All this, at the request of *EKONOMICHESKAYA GAZETA* readers, became the subject for the regular business meeting in the editorial staff. We invited people who directly "work with prices"—specialists of the USSR State Committee for Prices, the USSR Gosplan, and other involved ministries and departments.

Today it is difficult to find a person who would be completely satisfied with our service. Statistics confirm the cost increase in the volumes of services, but it is practically impossible to get a zipper put in or to have a window pane replaced. And we rank these operations, as before, almost along with the "eighth wonder of the world."

Prices Moving in All Directions

So what is happening with the constant growth of services anyway? In terms of cost it actually exists. For example, the average annual growth rates of consumer services in 1970-1985 amounted to 5-8 percent. But,

according to calculations of specialists, the prices for them increased simultaneously at the same rate. The situation has not changed under the current five-year plan. Moreover, certain business executives directly link improvement of activity in the sphere of services with higher prices for them. Otherwise, they say, service would be even worse than it is now (although it is fairly difficult to imagine how it could be "worse"). But is this really true?

The first to try to answer this question was a representative of the USSR State Committee for Prices, the chief of the division for consumer and municipal services, V. Getmanskiy:

First of all I should like to recall that as early as 1976-1978 the USSR State Committee for Prices along with other ministries, departments and councils of ministers of the union republics attempted to reorganize the price system in the sphere of services for the population. Then we revised and introduced 38 new price lists at once and regulated the prices for services of the most important "consumer" subbranches—sewing, footwear, knitting, furniture, repair-construction.

At that time the level of prices was calculated on the basis of reimbursement for economically justified expenditures and the receipt of profit in an average amount of 15 percent of the cost of the work. As a result the price mechanism came to have a stronger influence on the quality of services and the volume of their sales increased. For example, in 1987 as compared to 1975 the volume increased by a factor of more than 1.5. The profitability increased from 6.9 percent to 14 percent. In principle today we also have a system of prices for paid services that provides normally operating enterprises with reimbursement for their expenditures and the profit necessary for operation under the conditions of cost accounting. However this does not mean that it is ideal or that all of the problems have been solved and we can rest on our laurels. No, that is far from the case.

For we created the price system during the period when the old economic mechanism was in effect, with all of its shortcomings and mistakes, which, of course, was also reflected in it as in a mirror when the branch began to change over to complete cost accounting and self-financing. Now it will be necessary to solve the following problems.

First. To democratize the price setting system. Today it is extremely centralized. And those in attendance will agree that it takes an endless amount of time and effort to establish a price. Why? Because the managers of enterprises and even of ministries do not have the right to do this. And they all coordinate and coordinate....

With respect to democratization we have a clear point of reference—the decree of the CPSU Central Committee and the USSR Council of Ministers of 17 July 1987 No 820 "On the Basic Directions for Restructuring the

Price-Setting System Under the Conditions of the New Economic Mechanism." The decree recognized the need to apply the following kinds of prices: centrally established, contractual, and established by enterprises and organizations independently. And the role of contractual and independent prices, in our opinion, should increase. We have submitted our suggestions regarding this to the USSR Council of Ministers.

Second. To change the methodology for setting prices for paid services. It should become mainly an anticost mechanism. And the level of prices should be determined not only by socially necessary expenditures (there is no way to get around them), but also by the quality of services and the form of service. We are now already completing the development of two sets of methods for calculating normatives: profitability (on the whole and for individual kinds of services) and overhead expenditures.

Third. To revise the policy for subsidies in the sphere of paid services. It has turned out that our price setting goes hand in hand with immense subsidies. In the operation of housing they approach 6 billion rubles, and in heating—10 billion.

Question from the floor:

So should we refrain from subsidies?

It is impossible to do without them altogether. For they are used to provide, on the one hand, for availability of socially significant and mass kinds of services for all segments of the population and, on the other hand, the cost-accounting activity of enterprises that render these services.

It is another matter that the subsidies should be applied only within economically permissible limits and be directed to the final consumer. There are already examples of this. Today the budget subsidizes, in particular, bath services rendered to individual organizations at special rates. But before 1988 the subsidy was granted not to the consumer of these services, say, the tekhnikum, but directly to the baths, which reduced its incentive role. Now the rate is the same for all but the subsidies go to those organizations that take advantage of the services.

Reply from the floor:

It is necessary to go even further. The monetary fund should be given not to the organizations but to the students in the tekhnikum in the form of a stipend. Monetary funds should be in the hands of the direct consumer of the services. Only then will he actually be able to make a selection.

Questions from EG readers:

Do the prices for services provide for profitability of the operation of consumer services?

On the whole the existing price system completely provides enterprises with reimbursement for expenditures plus profit. I have already discussed profitability. To be sure, one could object: but this was before the enterprises were changed over to complete cost accounting and self-financing, but now, under the new conditions, this level of profitability is too low. In response to the "unbelievers" I shall give an example.

In 1987 the Belorussian SSR Ministry of Consumer Services changed over to self-financing. Compare: the sales volume of services in 1986 was 353.4 million rubles, and in 1987—389.1 million. And what happened to profitability? In 1986 profitability was 12.9 percent and in 1987—13.9. And yet the prices did not change for the Belorussians and the existing system made reimbursement for all expenditures. Here is proof that the current prices fully provide for normal operation in the sphere of services. It is quite impossible to understand the approach taken here by the Latvian Ministry of Consumer Services which also changed over to complete cost accounting and self-financing in January of this year. Its first step was to increase prices by 20 or 25 percent, and for bath services—even by 83 percent.

From the EG editorial mail:

Why does the State Committee for Prices, knowing the high prices for goods and services of cooperatives or the people engaged in individual labor activity, not establish limits for them?

Because this would be an administrative measure and what we need is an economics lever, we need competition. Then the price will drop of its own accord.

It frequently happens that a cooperative, while skimming on state raw material that is in short supply and applying a minimum of labor, sells a product or renders services at increased prices. We have prepared a proposal. All goods that are sold by cooperative members while rendering services (tobacco items, nonalcoholic beverages, and others) should be sold at firm retail prices with a 10 percent markup, and some should not have any markup at all as is the case today in public catering. As concerns payment by the cooperatives for raw materials, processed materials and equipment acquired by them from state and other organizations in order to render services to the population, the State Committee for Prices has already published a document: the cooperative must buy all kinds of raw materials, processed materials, and equipment at retail prices without the commercial rebate.

Chief of the Main Planning and Economics Administration of the RSFSR Ministry of Automotive Transportation, G. Savtsov:

We welcome the position of the workers of the State Committee for Prices who are in favor of not raising prices. But in fact the prices are increasing. They are increasing everywhere. And very rapidly. This means that the desires of the committee are one thing and practice is something altogether different.

V. Getmanskiy:

I have already discussed paid services.

G. Savtsov:

And I have too. I have discussed consumer goods and paid services. Incidentally, I had occasion to hear a lecture in the Academy of the National Economy where they said directly that we have no statistics concerning price increases. Experienced specialists, however, have calculated: the price index for consumer goods and services is annually increasing by 3-5 percent. It is all the same thing only with different "labels."

Sector chief of the Scientific Research Economics Institute of the USSR Gosplan, T. Koryagina:

According to our calculations, the increase amounts to 2-8 percent. But when we tried to publish our data for the first time in 1979 we were not allowed to. But now this is no longer a secret. For it is very important to construct price indexes, and they must take into account the demands of various contingents of consumers, for various kinds of services and in various regions. It is necessary to know all sides of the problem we are solving.

A situation has developed in which a radical reform of price setting both in the national economy as a whole and in the sphere of paid services has become critically necessary. I personally think that in prices one should take into account all elements of expenditures and I would proceed boldly toward utilizing the price as a lever for balancing supply and demand. Otherwise, in my opinion, the consumer market will remain empty. This problem is frequently underestimated. We have become accustomed to living in the propagandistic noise in which stable prices for services have been regarded only as a good. But in fact this is a colossal economic evil and, even more than this, it is a social evil. The flow of subsidies, for example, is frequently distributed in such a way that it does not stimulate production at all. That is, the social function of the price is not working.

Deputy Chief of the Administration for Finances and Prices of the USSR State Committee for Statistics, A. Dergachev:

I think that everyone will agree that it is impossible to deal effectively with problems of price setting for paid services without knowing the level of the prices, their dynamics, their structure, or how they change in terms of individual territorial and social groups and kinds of services. And I can say simply this: the State Committee

for Statistics has begun to create a system of economic-statistical observation of all the indices, and the average price so that in the end it will be possible to answer the questions: What costs the society what, whether something is advantageous, where we are, where we are going in one sphere or another, and in general what is the essence of change in prices for paid services as a phenomenon? But one thing is already completely clear: the basic work for forming prices should begin at the level of the enterprises. Let the state be left with the right to determine only the policy for forming and applying prices.

The Latvian SSR minister of consumer services, Ya. Tumovs-Bekis:

Here is the point. What does centralism of price setting in consumer services mean today? We have 59 price lists for consumer services and 22 price lists for municipal services. Each price list contains thousands of items. Let us assume that leasing has 1,900 prices and sewing services—2,000. Can this mass of prices be flexibly regulated centrally? Try it. It costs 3 or 5 kopecks to sew on a button, but this service is evaluated centrally. To give greater rights to the enterprise—this is the requirement of democratization.

T. Koryagina:

The Scientific Research Economics Institute has tried to draw up a list of benefits and subsidies for the population but it was unable to because nobody in the country can say precisely the amount and to whom they should be given. Yet under the conditions of the changeover of the branches to self-financing and self-supporting production this question is not an idle one.

An uncompromising question of EG readers:

Should prices for services be increased or not? What is the position of your sector of the Scientific Research Economics Institute?

We will not get by without increasing prices. But is it necessary to proceed rapidly along this path? I think not since prices in our country contain an immense buffer for nonproductive expenditures. And it is necessary to break the monopoly in all spheres of services as quickly as possible. The cooperative should be aware of how the prices have dropped appreciably for certain kinds of commodities. Trousers were selling, for example, for 200 rubles, and they are still not cheap, but they are being sold 100 rubles and less.

Payment for Quality That Is Not There

Ya. Tumovs-Bekis:

I have a question for the USSR State Committee for Prices. Its representative has spoken eloquently about the high profitability of consumer services. But...all these

goods and services have been piled into one heap. The services have included the large quantity of goods which we mass produce. If everything were taken together the profitability would actually turn out to be more than 10 percent. But we have calculated precisely: the profitability of consumer services last year was 4 percent, and this year—5 percent. What kind of changeover to self-financing can there be with a 5-percent profitability?

T. Koryagina:

That is, there is not enough money even for simple reproduction.

V. Getmanskiy:

That means that it is necessary to redistribute it.

Ya. Tumovs-Bekis:

Why not proceed toward a free retail price? When we saw that the prices were not working we gave an enterprise the right to establish its own. It was the Elegant Footwear Shop in Riga. Everybody was afraid of what would happen. But nothing terrible happened. Initially the prices jumped by 30 percent but then they stabilized at the level of imported footwear. And for 4 years they have been stable. There have been no complaints from the population.

Today it is not that that bothers us so much as the fact that raw and processed materials have to be acquired at two kinds of prices—wholesale and retail. We receive boards at retail prices and chipboard at wholesale prices. Wholesale prices are a big bother. An immense staff from various agencies check to make sure that we pay the turnover tax. Because of our 3 million "wholesale" rubles, hundreds of people in the republic are employed in such "collections."

The consumer service minister of the Belorussian SSR, I. Terekhov:

Why are wholesale prices needed at all in our sphere? They just cause confusion. We need a single price for all enterprises, cooperatives, and the population. And there will be less work for the price committee. But the current turnover tax is "looked for" there, from the producers. They should also collect it right there.

V. Getmanskiy:

The committee shares your viewpoint. It is necessary to get away from two kinds of prices in the sphere of services and we are working on this now. If we look at the relationship between wholesale and retail prices, in a number of cases the wholesale prices turned out to be higher than the retail price. Obviously the wholesale prices should be abolished and we should refrain from

using this ineffective instrument because the "pillow" between the wholesale and retail price no longer exists in many cases. So let there be only retail prices.

G. Savtsov:

But dear comrades! It is impossible to find a simple solution to this problem. We need a differentiated approach. I agree that where the difference between the wholesale and retail price is not so great it is necessary to use a single price. But what about where it is great?

I shall give an example. Taxis. The fare is now 20 kopecks per kilometer. If we purchase from the state a Volga at retail price the rate would have to triple. And this would be a blow to the population. For the main thing is not the idea for the sake of the idea; it is necessary to think about the fact that we all must serve the population and think about their interest.

At this point a small skirmish took place among participants in the meeting.

Deputy chairman of the All-Union Association of Maritime Passenger Lines and Cruises of the USSR Ministry of the Maritime Fleet, G. Yeremenko:

The worst thing for the population would be if the prices were to increase unjustifiably. I think that now we have gone to the limit in fighting against cooperative prices. After all, we have many kinds of services that are beyond competition for the next 5-10 years. For as many cooperatives that want prices there is an equal number that will "throw them away." But still there must be restrictions and it is necessary to make sure that there is no possibility of increasing prices.

I. Terekhov:

Who should look after this?

T. Koryagina:

And what will we do with the kolkhoz market then?

G. Yeremenko:

Retail prices are now being held back.

Ya. Tumovs-Bekis:

They are not being held back and they cannot be held back. But cooperative services show the real demand of the population.

T. Koryagina:

And.... There is a lack of balance between supply and demand.

Ya. Tumovs-Bekis:

Not a single institute in the country will give an answer to the question: What is the level of demand? Whatever the price—such is the demand.

G. Savtsov:

But which price are we speaking about? If you are late and rushing to the airport you will agree to any conditions. A taxi driver who is a member of a cooperative will take advantage of this and take you for 15 rubles instead of 3. In such a case he is not a competitor of state enterprises and, of course, he is not a helper.

Deputy Division Chief of the USSR Committee of People's Control, L. Magazeyshchikov:

We are bothered by that easy path (essentially a refusal to search for methods to control cooperative prices) selected by the State Committee for Prices. One must not proceed from the interests of one's own department, it is necessary to proceed from the interests of the population. The State Committee for Prices is called upon to intervene actively in life. You, Comrade Getmanskiy, say that prices should not be increased but you yourself close your eyes to the fact that they are increasing. You have a large amount of work before you. Now when you are preparing for a radical reform of price setting, you must be very attentive to this issue. And if the prices must increase, let them increase only as the quality of goods and services improves. And this is not happening so far.

EG:

There are also many letters to the editorial staff concerning the fact that services are becoming more expensive without any justification. Here is a very typical letter from the city of Shevchenko from V. Petrakovskaya:

"I have been in a health group for 3 years. A subscription used to cost 3 rubles. But since the end of last year there has been a struggle to increase the price of paid services. First of all the price of a subscription increased to 6 rubles. A little bit expensive.

"For various reasons each of us began to skip classes. Therefore we asked the workers of the sports complex to introduce a one-time payment. They refused. Naturally, it is more advantageous for them to collect the money in advance. Our inconvenience does not bother them.

"Subsequently in their drive for profit they increased the group from 30-40 people to 60. Now the trainer does not have enough time to devote attention to each of us.

"In general, the paid services have become more expensive and their quality has become worse."

Chief of the Administration for the Utilization of Sports Facilities and Rendering Paid Services of the USSR State Committee for Sports, L. Aristova:

In principle, as of today only 10 percent of the sports and health services are paid for and the rest are free of charge to children, pupils, students, and labor collectives. The situation has developed this way because 80 percent of the sports facilities are on the books of the enterprises and their utilization costs nothing. Now there is a changeover to complete cost accounting and everything must be paid for, and prices will be higher by a factor of 3-4.

They are even higher because previously they were set by the trade unions with a ceiling and without any kinds of calculations. For a subscription, say, they charged 2-3 rubles, and then they would subsidize the sports facility so that it could operate as they wanted it to. The State Committee for Sports also receives many complaints regarding this. I will say further that there are fewer people who wish to belong to these paid groups. Take figure skating, for example. And it is not surprising: it has become a very costly pleasure.

It is a pity that the AUCCTU has not become involved in this problem. It has given the impression that the randomly increasing prices for sports and health services does not pertain to it. The trade unions received the corresponding percentage of funds into their budgets in the form of contributions from enterprises and from the earnings of the workers, but we do not know how they are redistributed in the interests of the broad segments of the population. Yet a large share of them which are intended for the development of physical culture and sports are used for professional sports. Our inspection of a number of collectives, for example the Uralmash PO showed that there the percentage deductions for physical culture and mass work amount to a significant sum. But when we estimated how much of this money goes for rank-and-file workers it turned out to be a miserly sum. Ninety percent of this money goes for maintaining the volleyball team of masters, Uralochka.

The leader of the group for the development and calculation of price indexes and rates for paid services of the USSR State Committee for Statistics, V. Azar:

I wish to continue this idea from the following positions. We are not speaking here about the sovereignty of the consumer. And he is frequently almost unprotected against the departments—this is the central issue. In Hungary there is a union of craftsmen which controls its members. They could not sell work done on the outside and increased prices without control, nor deceive the population. The same kinds of organizations exist in the GDR. We do not have them yet.

And the result? When preparing to come to this meeting I looked to see how much prices had already increased in certain spheres of service in the subbranch. In 1970 a pass for a trip from Leningrad to Moscow with accommodations in the Druzhba and Mir hotels in Leningrad cost 75 rubles. Now it costs 167 rubles. The same pass with accommodations in another hotel costs 80 rubles,

and now it costs 138. That is, it has almost doubled. And this is happening everywhere. The price of a pass is "swelling" because of the services that are supposed to be offered. But they are either not rendered or they are rendered in such a way that you yourself refuse them. The quality of services and the prices for them are not yet joined together into a single unit by the price-setting mechanism. And this is not only in the state sector but also in the cooperatives. Today we, unfortunately, encountering the fact that the sphere of services—from "consumer services" to culture—is not providing for a high level of quality of services but still the prices are increasing. In other words, they are taking advantage of their monopolistic position to ask a high price for quality that does not exist.

A docent of the Institute for Increasing Qualifications of the RSFSR Ministry of Consumer Services, Yu. Donin:

This is true, only competition will break the hot prices. But now, for example, there is no competition between enterprises of the sphere of services and the cooperatives, and there can be none.

Calculations concerning the enterprises of Glavmosbyt show that the normative of deductions from incomes from cooperative members is one-tenth that of the normative for enterprises of Glavmosbyt. Under these conditions can one speak about competition? There is no reason to hope that these normatives will change. Neither the budget nor the higher organizations will refuse the money they now receive from Glavmosbyt. If we need real competition we must place everyone in equal conditions. There is no need to limit prices for cooperative members but it is necessary to establish a more liberal policy for the assignment of prices by the enterprises.

I. Terekhov (BSSR Ministry of Consumer Services):

It is easy to say "liberal policy." But what will happen in rural areas? Practically all services there are provided at a loss. The prices cannot be increased—that would be incorrect from a social standpoint. It is practically impossible to reduce expenditures. What could we do? We made this decision: we shall determine the state order for rural areas according to the volumes of services and then give subsidies. But this is a temporary way out of the situation and we have not yet resolved the problem of price-setting in general.

I still think that we should not include expenditures on expanded reproduction in the price. Amortization is the same thing as profit and therefore we subtract it from the price. The higher the level of technical progress in production, the greater the sum of amortization. Profit drops and the situation of the collective deteriorates. In my opinion, this is one of the reasons for the current situation with respect to technical progress. Because of deductions for amortization it is not advantageous for a single collective to engage in technical progress.

Artificial Support for Development

EG:

How shall we answer the authors of the following letters?

"The losses from our urban transportation have increased to astronomical amounts. Judge for yourselves. Losses during 1987 for the city of Lutsk with a population of 186,000 amounted to 1.6 million rubles. Certain specialists consider losses to be inevitable and submit proposals to increase their rates for transportation. But this is extremely undesirable. I suggest changing the policy for collecting the revenue for the passage, eliminating benefits, and changing the policy for granting them."

V. Marushkin, chief of the Lutsk Trolley Administration

"We think that instead of subscription payment for passage on urban transportation we should introduce monthly deductions from the earnings in the amount of up to 3 rubles (taking into account the social position and so forth). Then there will be no need to acquire subscriptions, no need to manufacture them, no need to maintain workers who sell subscriptions, no need to maintain staff and public controllers who when they discover a passenger without a ticket ruin the nervous system—both their own and the other person's."

G. Ivanov and other workers of the Tekhnolog NPO (Tashkent)

"I suggest financing urban transportation through the public funds of the enterprises and making it free for the population."

F. Khusainov, engineer (Bashkir ASSR)

RSFSR Deputy Minister of Housing and Municipal Services, I. Terekhov:

The problems are old and the concern of the readers is understandable. Our urban transportation is the most unprofitable of all the subbranches. I can give these figures: for streetcars last year the losses amounted to 202 million rubles and for trolleys—126.1 million. Why? Actually in electric urban transportation the fares have not changed since 1948. Except for Moscow, where a single 5-kopek fare was introduced 2 years ago. At the same time the rolling stock has been renovated and the wages of the drivers have increased.

And so far we are not compensating for the expenditures. The average fare for a trolley is 4.15 kopecks and for a streetcar—2.82. But the cost of transporting one passenger by a trolley and a streetcar is 6.5 kopecks.

Naturally, we need new approaches to evaluating the activity of transportation enterprises. We have found these approaches. We have developed and coordinated

with the USSR Gosplan a policy for a normative rate which takes into account all the socially necessary expenditures for providing services. The labor collective that keeps within this normative rate will be given the appropriate incentives.

Chief of the Subdivision for Planning Social Development and Labor in Nonproduction Branches of the USSR Gosplan, M. Alekhin:

As concerns abolishing payment for urban transportation, about 8 years ago this suggestion was made to the expert commission of the Gosplan. At that time we proved the economic effectiveness of this measure. But because of social factors the proposal was rejected. Perhaps there is some point in considering it now with respect to the new conditions and with new principals.

Question from the floor:

Who participated in the work of the commission?

V. Azar:

I was a member and I can say that everybody spoke against the proposal because the form of payment was essentially transformed into a form of tax. For it was suggested that a certain sum be subtracted from wages and other incomes. At the same time, in my opinion, there is a more correct solution, which can be discussed better by the representative of the RSFSR Ministry of Automotive Transportation. I shall add simply that in certain cities the enterprises in one way or another are ready to take on the sum of payments necessary for transporting their workers.

G. Savtsov:

Experience shows that rates have been constructed unintelligently in transportation. Throughout the entire world and on our railroad a one-way passage costs 3-4 times more than a subscription coupon—quarterly, annual, monthly. In our country a one-way trip on a bus costs essentially the same as it does with monthly coupons. As a result they are not widely used. Therefore we maintain cash registers, ticket devices, and we have many other expenditures.

My suggestion is to increase the fare for a single trip in public transportation to 10-15 kopecks. A person who does not use the transportation all the time will be able to pay this once a month without any problem. And the cost of a subscription coupon (these are used by the people who travel regularly) should be increased from 3-4 rubles to 5 rubles. This way we will orient the customers toward acquiring subscriptions. Expenditures for accounting and collecting cash will be reduced.

The enterprises can compensate their workers for the small increase in the cost per passage. It is also possible to find ways of compensating the rest of the population.

G. Yeremenko:

Enough has already been said about the dictatorship of the producer here. I shall now give an example of the dictatorship of the price list which was established for the maritime passenger fleet. The country has a large demand for sea travel and tours. But the possibilities of satisfying this demand are becoming slimmer. Why? I shall explain. The incomes of the shifts which we rent to the Central Council for Tourism and Excursions of the AUCCTU¹ and tourist organizations today cover only 65 percent of the expenditures on maintaining them. Is it possible to count on the fact that now, with the publication of the Law on the State Enterprise, under the conditions of self-financing, the shifts will develop services (passages) for which it will be necessary to make additional payment? Of course not. It is an economic absurdity that with such large losses of the steamship lines the tourist organizations will not only not bear these losses but will "take away" profit from sea travel at 10-12 percent, receiving rebates from the fares in the amount of 35 percent during the "nonseason."

No, if the passenger fleet performs an important function for the society and the society needs it, let us find a source to cover the losses, through subsidies from the trade unions or through regulating the rates. Of course, there must be no mention of increasing prices for passes for workers! They are already so high. But it is also true that so far the funds for social, cultural, and consumer services are not operating at full swing in the labor collectives. Where they sometimes go, we do not know.

EG:

In issue No 51 of EKONOMICHESKAYA GAZETA for 1987 in an article entitled "How the Steamships Run..." we already raised these and several other problems that are bothering specialists of the passenger fleet. Has there been any progress?

G. Yeremenko:

Concerning this article in EG there were four conferences in the USSR Gosplan, three in the USSR Council of Ministers, and a conference in the bureau for social development of the USSR Council of Ministers. So far, unfortunately, the proposals prepared on the basis of the problems presented in the article had become bogged down in precisely this last organization. We think that the matter should move forward anyway. The main thing is to fundamentally solve the problem of economic relations with tourist organizations and regulate coastal shipping rates. Otherwise we will not be able to eliminate a situation when planned losses in coastal shipping navigates the steamship line to work only with foreign shipments. But this encroaches on the interests of the Soviet people who would like to spend a vacation on a sea journey.

For the Main Administration for Aviation Work and Transportation of the USSR Ministry of Civil Aviation, L. Ilchuk:

The poorly arranged mechanism for interaction with tourist organizations—this is our problem. For example, we work with the State Intourist Committee. It is the intermediary between us and foreign firms when Aeroflot operates abroad. One might say that our air passages are sold for currency but they settle with us in rubles. But the most interesting thing is that this department gets a rebate of up to 60 percent on domestic lines. In essence they are taking away the money which we could use for artificial support for our development and, correspondingly, more expensive attraction of our tourists and passengers from abroad. On the whole the national economy loses a great deal here.

Take note, the stable organizations respond to us: you have posed the problem correctly. But...wait until 1990 because, they say, the State Intourist Committee has a plan that it must fulfill. But where is the justice? Finally, one can see the complete lack of an orientation toward a high final result of the national economy as a whole. I should like to take advantage of this occasion to ask about the possibility of including what I have said in the report on our business meeting.

EG:

But what about the uncompromising question of the readers: Should there be an increase or not?...

I am afraid to give an uncompromising question of whether or not there should be an increase in ticket prices! Let us think about it. The prices for aircraft fuel have increased by a factor of 2.5-3 recently and this comprises 30 percent of the cost of an hour of flying time. The equipment is becoming incredibly expensive. Today an An-28 costs 1.1 million rubles. The latest model of helicopter (we use them in mountainous areas) costs 3.5 million rubles, while previously a similar one cost 150,000 rubles. Moreover the wages of the aircraft personnel have increased and the surroundings on board the aircraft have become more comfortable. But the prices remain at the level of the 1960's.

M. Alekhin:

As far as I know the bureau of the USSR Council of Ministers for Social Development is now considering a plan of urgent measures for rearranging the sphere of paid services for the population. An important place in it is being allotted to those issues that have been the subject of discussion in our business meeting. Therefore the State Committee for Prices and other interested ministries have the possibility of taking everything that has been said into account when preparing their proposals for drawing up the corresponding section of the plan.

From the editors. Participants in the meeting arrived at the unanimous opinion that the question of regulating prices for services is ripe and it is time to approach a solution to it critically and, the main thing, without excessive emotion. Even now one can draw certain conclusions:

For many kinds of services it is inexpedient to raise the prices. For example, for the repair of television sets, refrigerators, and other complicated household equipment where the prices today fully cover the outlays and provide profit sufficient for operation under the conditions of self-financing.

For a number of less profitable services it is important to direct the efforts of the enterprises not toward increasing prices but toward reducing production outlays. This pertains particularly to the repair of footwear, and photographic and movie services where the cooperatives and individuals are competing with the state enterprises, sometimes even rendering services at prices lower than the listed ones.

It is necessary to revise the existing system of subsidies for services. In order to increase its social significance it is necessary to direct subsidies to the final consumer of the services, the population, and not take the path of covering the losses of the enterprises.

It is necessary to revise the structure of the distribution of income among the associated enterprises that render services. Thus in the meeting one could hear many reproaches against the USSR State Intourist Committee which undeservedly appropriated part of the profit of the transportation workers (and not only theirs, but also the profit of other organizations).

In a number of cases it is apparently impossible to get by without increasing prices. But we must find a mechanism of regulation so that the prices will increase only after the quality of the services has improved.

The USSR State Committee for Prices is called upon to place a strong barrier in the way of the erosion of inexpensive kinds of services. Granting enterprises the right to establish prices independently or on a contractual basis should not be understood as the right to dictate prices to the consumers. On the contrary, this should be a part of the right of the consumer to select between inexpensive and expensive (with higher quality) services.

Footnote.

1. Participants in the meeting were interested in learning the viewpoint of the AUCCTU and the Division for Transportation and Communications of the USSR State Committee for Prices. To this end we invited to the meeting the chief of the Division of the USSR State Committee for Prices, A. Akhpolov, and the head of the

Consolidated Division for Questions of Social Development of the AUCCTU, V. Voronov. But both of them declined the invitation, referring to the lack of an officially developed viewpoint regarding the problems under consideration.

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REGIONAL DEVELOPMENT

Stavropol Kray First Secretary on Regional Reorganization

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in Russian No 19, May 88 pp 4-5

[Article by I. S. Boldyrev, first secretary of the Stavropol CPSU Kraykom]

[Text] The performance of the tasks of the economic reform at all levels of the national economy requires a deep rearrangement of the organizational structures and a redistribution of management tasks and functions among them. And this need becomes the more critical the more deeply the principles of complete cost-accounting, self-financing and self-management become established in the country's economy.

We have become convinced of this in our practice. For example, with the changeover of the kolkhozes and sovkhozes of the kray to cost accounting and self-financing in 1986, the expansion of their independence, and their increased responsibility for the results of their activity there appeared a clear duplication of functions of the kray and rayon levels, on the one hand, and the farms, on the other. The farms were given the right on a normative basis to determine for themselves the volume of production and sales of products, the number of personnel, and the wage fund, and also to distribute profit.... But nobody had taken these rights away from the kray agroprom or the RAPO and it must be admitted that, just as before, each step was dictated to the farmers.

The independence of the kolkhozes and sovkhozes turned out to be significantly limited also because their main partners in the rayon—the processing, construction, and service organizations—were organized by kray agencies, as before, and depended completely on their instructions.

It was quite natural that this situation caused legitimate concern in the labor collectives and the local party organizations. The people came out resolutely in favor of granting them real independence and not just independence on paper and also in favor of the development of measures that would weaken to a minimum the pressure of the administrative staff and would create conditions for extensive self-management.

On the First Approaches

Having carefully weighed such proposals the bureau of the CPSU kraykom and krayispolkom resolutely proceeded toward optimization of the structure of the kray agroindustrial committee and the RAPO in the local areas. At the kray level the number of subdivisions was reduced from 53 to 10 and groups of specialists with minor functional duties—from 22 to 4.

They eliminated 10 kray associations and administrations that were in charge of the organization of processing of agricultural crops, construction in rural areas, and technical service for the kolkhozes and sovkhozes, that is, they solved the problems that could be solved most successfully in the local areas. Their management functions were taken over by the kray agroindustrial committee and the RAPO.

In turn, the functions of the rayon level also underwent significant changes in connection with the creation of RAPO soviets. The soviets, as elective agencies, took on the directive functions while the staff was left with purely executive work. All this made it possible to reduce the management staff by 53 percent at the kray level.

As early as the beginning of the five-year plan steps were taken for restructuring management agencies at other national economic levels as well, where they also carried out or earmarked a changeover to economic methods of management, but the excessively complicated staff structure was an appreciable impediment.

Thus only at the high level alone 12 rural construction organizations were merged into a unified cooperative state association. On the basis of two main administrations of the USSR Ministry of Construction in southern regions of the USSR they created a single territorial administration for industrial, civil, and health resort construction and its trusts were consolidated. The housing-construction combines were reorganized into a planning-construction association. Instead of three automotive transportation associations they created one. On the railroad they formed the unified division on the basis of the previous two. In domestic services they abolished 10 kray and four oblast specialized associations and their functions were transferred to the city and rayon levels.

And one must say that the matter stood only to gain from this. There was less duplication and parallelism in the work, there was less petty supervision, and there was no longer a need for numerous kinds of coordination when preparing solutions, and they began to be implemented more rapidly. It is of no small significance that there was a considerable reduction of the management staff—in 2 years it was reduced by more than 2000 and a large proportion of these workers were sent into the sphere of material production.

But the most eloquent confirmation of the correctness of the steps that were taken were the results of the work of the labor collectives. In spite of the misgivings of skeptics who asserted that a radical restructuring of management would cause a breakdown of the economic mechanism, the kray's economy continues to develop stably. The average annual volume of production of industrial products increased from the beginning of the five-year plan by 9.4 percent and 156 million rubles' worth of industrial products were sold in excess of the 2-year plan. The agroindustrial complex increased the volumes of agricultural products by 13 percent and sold in excess of the plan 92,000 tons of meat, 162,000 tons of milk, 166 million eggs, and 1,969 tons of wool. In terms of the sale of these kinds of animal husbandry products the kray significantly surpassed the level of the assignments for 1990 envisioned in the Food Program.

Positive changes can be observed in construction. The introduction of facilities has accelerated. During 2 years they assimilated 13 percent more capital investments than during the corresponding period of the 11th Five-Year Plan, including for the construction of facilities of the social sphere—32 percent more. Transportation began to operate stably and the volume of shipments increased by 20 percent and passenger turnover by 5 percent during this period. The work of consumer service enterprises also improved.

The Collectives Suggest

We should like to emphasize that the first experience in rearranging the management structure was a point of departure for the broadest research in this direction. We finally became convinced of the correctness of the measures that had been taken after the June (1987) Plenum of the CPSU Central Committee which substantiated the objective need for a radical restructuring of the management of the national economic complex and a close interconnection between this process and the establishment in practice of the principles of cost accounting and self-financing.

Proposals to simplify and reduce the staff and to reduce parallelism in their work came from workers of various branches of the national economy. For example, aviators quite justifiably pointed out the need to concentrate the management of aviation service on the territory of the kray and to change over to a two-level system of management. The fact that each of the three aviation detachments located on our territory were under the jurisdiction of the Northern Caucasian Civil Aviation Administration impeded maneuverability and the utilization of the fleet of aircraft and the provision of maximum effectiveness of the flights, and it also artificially retarded the development of passenger transportation and crop dusting. While the Mineralovodsk Combined Aviation Detachment alone has received more than 25 million rubles in profit, there has been a shortage of funds and they have frequently been distributed by the

administration without taking into account the real needs of all three collectives, whose economic and social development has been impeded.

And the aviators quite justifiably suggested creating a structure which would combine the three aviation detachments and open up the possibility of considerably increasing the effectiveness of the work, improving the financial situation, and accelerating the development of the material base and the social sphere.

Equally crucial is the idea of combining two administrations that were essentially the same—local industry and artistic industries in the production of souvenirs. One included 29 enterprises, a planning and design bureau, a laboratory for scientific organization of labor, and a training combine. The other included 18 enterprises and again a design bureau, a laboratory for scientific organization of labor.... Such an artificial separation led to the duplication of a number of productions, particularly sewing, knitting, and rug production, and it impeded further deepening of specialization and concentration and held back proportional and balanced development of the branch.

Or, say, the construction industry. Departmental separation has become so critical here that about 50 lower-level collectives belonging to six kray administrative organizations and four union and republic departments. Because of the disbursement of capital investments and material and technical resources there is no possibility of conducting an active technical policy or promptly carrying out reconstruction and technical reequipment. Now the fixed capital of the majority of brick plants and more than half of the mines is almost completely worn out. Moreover there was absolutely no solution to social problems of the collectives and with a critical shortage of skilled workers there was no proper vocational training. Workers, specialists, and managers quite reasonably asked the question: under such conditions how does one change over to complete cost accounting and self-financing? Is it not time to create a unified management agency and the construction materials industry of the kray?

Many similar proposals came in from the social sphere. Educators, for example, asked: how does one create a unified system of public education if the schools are in the jurisdiction of the kray educational administration and the vocational and technical schools—the Administration for Vocational and Technical Education, and the VUZes and tekhnikums are under the jurisdiction both of the Ministry of Higher and Specialized Education and other ministries and departments.

Having carefully studied all these proposals coming from the labor collectives we saw the possibility of radically changing the entire general plan for management of the kray's economy. We consulted with the party aktiv at the plenum and with rank-and-file communists at party meetings, and the mass media conducted a detailed

discussion of this subject. The approval is unanimous and everybody understood that maintain the existing structure meant to maintain the mechanism of retardation and command-administrative management methods that had outlived their day.

The New General Plan

In July of last year the bureau of the CPSU kraykom and the krayispolkom made the corresponding suggestions to the CPSU Central Committee and the USSR Council of Ministers. Our suggestions found support.

A session of the kray soviet in March of this year approved the new management structure. It proceeds from the need to raise the level of production concentration, to develop interbranch productions and consolidate enterprises, to change over to new forms of agroindustrial formation, and to form production and scientific production associations, production agrosystems, and also interbranch and interfarm associations of progressive types, and there is also a need for comprehensive development of the production and social infrastructure.

Here is just one example of this approach. The changeover in January of this year of the entire kray agroindustrial complex to cost accounting and self-financing showed especially clearly that the major losses are taking place because of the backwardness of the processing industry and the extremely unsatisfactory scientific-technical, transportation, and supply-sales services. And the main reason lies in the lack of a direct economic dependency of processing and service enterprises on the kolkhozes and sovkhozes that produce the products.

The search for this kind of dependency is proceeding in several directions. Two agroindustrial combines organized at the beginning of the five-year plan as an experiment are handling it well. Having been given the opportunity to dispose of the funds it has accumulated, the Izobilnoye Combine, for example, just last year invested 4 million rubles in reconstruction of the enterprises of the processing industry, and before the end of the five-year plan it plans to invest more than 30 million rubles. Therefore the kray has recently created three more agroindustrial combines on the basis of the Karachayevo-Cherkess Oblast Agroprom and in Predgornyy and Budennovskiy rayons, and it has abolished eight RAPO's. An agricultural combine is also being created in Mineralovodsk.

Another direction is the creation of large cooperatives that join together on cooperative principles the rayon's entire agroindustrial complex. This was brought about by the restoration of production cooperation and the return to the kolkhozes of the features they had lost which were conditioned by the collective form of ownership. The kolkhozes and sovkhozes of Petrovskiy

Rayon, for example, made a suggestion to arrange interrelations between themselves and the furthest enterprises only on a cooperative basis. The rayon is now creating the Petrovskoye Cooperative. Similar cooperatives are being organized in Georgiyevskiy, Blagodarneskiy, Ipatovskiy, and Novoaleksandrovskiy rayons.

The new plan envisions integration of management of the kray economy through the elimination of the unjustified breaking up of management agencies and duplication and parallelism in their work. On the whole for the kray more than 50 kray associations, administrations and other organizations will be combined into 11 consolidated management agencies, six of them in the production sphere and five in the social sphere. The main territorial administration for material and technical supply has included the former Stavropolsnabsbyt Association, the supply and sales administration of the krayispolkom, and also the kray and Pyatigorsk container enterprises. The local industry administration includes enterprises of the former kray local industry administration and also the administration for artistic industries and souvenir production. Moreover, in order to deepen specialization and concentration, 50 local industry enterprises have been consolidated into 14 structural units, nine of which are production associations. The Stavropolkholeboprodukt Association was created on the basis of kray grain products administration, the baking and pasta industry, and a number of other enterprises, and the Stavropolstroymaterialy Association—through merging the Stavropolstroymaterialy and Stavropolnerud associations and all the other enterprises of a similar profile. The cooperative state association Stavropolrybprom included two former associations and the kray fishing and land reclamation station. The aviation association was also created on the basis of the Stavropol, Mineralovodsk, and Pyatigorsk aviation detachments.

As concerns the organizational structures of the social sphere, the kray public education division and the vocational and technical education administration have been combined into the public education administration of the krayispolkom. The public health administration includes the former division of public health, the pharmaceutical administration and the Medtekhnika administration. The administration of culture was created through including in it the administrations for cinematography, the kray offices for the sale of movie films, and the philharmonic, and the network of film trade unions was placed under the jurisdiction of the new organization. The trade and public catering administration included the former administrations for trade and public catering and organizations of Glavkurortorg. And, finally, the kray Rosmyasomoltorg Association took over the former association by the same name as well as the Stavropolryb Association of the USSR Ministry of the Fishing Industry.

The main advantage from the creation of consolidated management structures is that it has become possible to transfer a number of functions of the kray level directly

to the city and rayons and to the labor collectives, fully in keeping with the Law on the State Enterprise (Association). In turn, the kray organizations have been given the opportunity to engage more purposively in solving large long-range problems having to do with development, scientific and technical support, and coordination of the activity of all levels.

What Is the GlavPEU?

The reorganization of the kray and rayon structures is being done in close coordination with the changing system of management of the krayispolkom itself and with the creation of the Main Planning and Economics Administration (GlavPEU) of the kray and the transfer to it of the functions of planning and control of comprehensive development of the business of the kray and interbranch coordination and cooperation. This is a fundamentally new structure and is in the stage of being broken in. The GlavPEU is headed by the chief who is at the same time the first deputy chairman of the krayispolkom. He, in turn, has three deputies and the first of them is in charge of the kray planning commission.

The main directions for the work of the GlavPEU can be seen from the very names of the divisions. There are nine of them. The planning commission is composed of divisions for consolidated planning and economic work, economic analysis, commodity turnover, and food resources. The three other divisions comprise a separate complex and handle problems of development and coordination of industry, transportation, communications, interbusiness cooperation, consumer goods, and paid services. The third complex is composed of two divisions which are in charge of problems of organizing construction, the construction materials industry, material and technical supply, and the development of the social sphere. And, finally, the general division handles problems of organizing the work of the GlavPEU itself.

The GlavPEU provides leadership of the entire economy of the kray, it organizes the fulfillment of the plans, and the decisions of its board extend to enterprises and organizations regardless of their departmental jurisdiction. It coordinates the activity of economic agencies of the kray directed toward the development of cost-accounting relations, it considers socioeconomic and environmental protection problems, and it develops and monitors the implementation of measures for resource saving, balance of workplaces, development of wholesale trade and means of production, and cooperative and individual labor activity.

The bureau of the kray committee of the CPSU has sent to the GlavPEU experienced personnel who have gone through the school of party and economic work. It is with this agency that we directly link the implementation of the task set by the February (1988) Plenum of the CPSU Central Committee of delimiting the functions of party

and soviet agencies. This approach opens up the possibility of releasing party committees from economic functions that are not appropriate for them and concentrating efforts on organizational and political work.

It is of considerable importance to note that in the krayispolkom itself, along with the formation of the GlavPEU, the number of personnel in the divisions and administrations was reduced by one-third, and in particular three positions of deputy chairman of the krayispolkom were eliminated.

A similar main planning and economics administration was created in Karachayevo-Cherkess Autonomous Oblast. In the cities and rayons the GlavPEU of the kray and oblast will rely on the corresponding planning commissions. Measures are being taken to consolidate their personnel services by reducing the staffs of the kray agencies.

On the whole the rearrangement of the management structures will enable us to reduce management personnel by no less than 30 percent at the kray level and to release 4,340 workers.

Departmental Red Tape

Today about 2,000 people have already been released and sent to the lower levels, mainly production units. But further work in this direction has been impeded somewhat. The fact is that a number of organizations are under the jurisdiction of union and union-republic agencies. It is possible to reduce the staff in them only by an appropriate decision from these agencies. But we still do not have such a decision, in spite of our requests.

One must say that this is not the only obstacle the restructuring encounters in the sphere of management. A number of managers of ministries and departments from the very beginning have not supported our efforts in this direction and have tried in all ways to impede the adoption of the corresponding decisions. I shall say frankly that my colleagues from the kray and I have had to speak with many ministries several times and we have literally been forced to dig through the piles of excuses they have thought up to show that the reorganization is impossible.

But when suggestions from the kray decrees were adopted by the USSR and RSFSR Council of Ministers, the tactics of resistance changed. Acting as though they have been meeting us halfway, certain managers of ministries and departments are actually doing everything they can to make sure that the new structures from the very beginning turn out to be foreign elements in the existing management system.

For example, 2 years ago we managed with difficulty to overcome the resistance of the RSFSR Gosagroprom when reorganizing this structure of rural construction. And although life has proved the correctness of our

step—in 2 years the volumes of rural construction have increased from 245 million to 302 million rubles, incomplete construction has been reduced and brought down to the normative, and there is practically no “long-term construction”—in the state committee they can apparently not reconcile themselves to this. Not only do they not render any kind of assistance in establishing and developing new structures but they even create artificial difficulties in the work. For example, they are curtailing deliveries of technical equipment and the provision of construction materials is deteriorating. For this year they have allotted one-fourth less cargo-lifting mechanisms than in 1986, 12 percent less earth-moving equipment, one-half as many motor vehicles, and the provision of roofing materials has decreased by almost one-third.

Other newly formed structures are also experiencing such a boycott. It would seem that the reason here lies not only in the subjective rejection of the new on the part of individual managers of republic and central agencies. The structural reorganization at the level of the kray is accompanied by too slow a unification of management agencies at the upper echelons. As a result many newly organized formations are now being broken down into two or three and sometimes even four higher departments. And each of them turns to the other in solving questions of concrete issues of financing and material and methodological support. We are convinced that without the corresponding structural changes at the ministry level it will be difficult for us to achieve a really effective, mobile, and inexpensive structure of management at the kray and rayon levels.

The Program for Tomorrow

Life itself requires a continuation and deepening of the rearrangement of the organizational structures of management. How, for example, can we change water management and land reclamation organizations over to cost accounting and self-financing if the management in the branch in the kray is broken down among eight “staffs”? They are under the jurisdiction of both central ministries and regional organizations in neighboring krays and oblasts. Of course this gives rise to confusion and disorganization and leads to a dispersion of the efforts of scientists, planners, builders, operations workers as well as to unproductive expenditures.

We went to the higher agencies with a request to create a unified state production land reclamation association. This will make it possible to increase the effectiveness of the work, to bring the structure for management of land reclamation in line with the new general plan for management, and to reduce the number of personnel on the staff.

Or take this problem. Accelerated development of the social sphere in rural areas led to a situation where the books of the kolkhozes and sovkhozes of the kray now contain more than 5 million square meters of housing, hundreds of schools, hospitals, kindergartens, houses of

culture, enterprises of the sphere of services, and engineering installations. Their overall value is 2 billion rubles. Need one say that this kind of wealth is serviced unsystematically and sometimes it is not serviced at all and is destroyed before it has served half of the necessary amount of time. We see the solution in the organization of special cost accounting operations services in rural areas, stations and villages of the kray that are subordinate to the rural soviets. In our opinion, they should be maintained through deductions according to norms on the basis of economic relations with all enterprises and organizations located on the given territory.

The same problem exists with service for intrafarm roads and they comprise almost 80 percent of the roads in the kray. After they are put into operation, as a rule, people forget about them and use them without restoration work until they are completely ruined. As a result almost half of the roads become impassable during the fall and winter season. It is time to restructure the road operations service of the kray so that they will service the entire network of roads. The relations between these services and the enterprises and organizations should also be arranged on economic principles.

First the structural changes that have been undertaken and those that are earmarked are only the first steps in the improvement of management. Naturally, life forces us to revive some things again and it sets new tasks. Under the conditions of the radical economic reform this is quite a predictable process and the kray party organization is prepared to work creatively in this area.

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Economists Propose Experiment in Regional Self-Repayment

18200182a Moscow KOMSOMOLSKAYA PRAVDA in Russian 12 May 88 p 2

[Article by Professor V. Groshev, doctor of economic sciences, and Professor V. Fedorov, doctor of economic sciences: "Shall We Risk It?"; first paragraph is source introduction]

[Text] Scientists propose an unusual experiment: to completely transfer one of the country's regions to self-repayment [samookupayemost].

What is mostly talked about and debated today? The economy. Its past, present and, the main thing, its future. A great deal of constructive criticism and many practical proposals. But enough of nonprofessional judgments based on emotions, on the desire, as they say, to "snatch applause." Frequently, the discussion of complex economic problems, especially in a young audience, proceeds on the principle "we are causing a stir, brother, we are causing a stir!" Well then, you might ask, should they disperse? Once more to drive economic discussions into

the somnolent silence of scientific institutions? No, not that. We propose to move from discussions about a basically new economy to its practical creation!

We propose a regional economic experiment. What is it like? You, no doubt, have read and heard many times of the transfer of enterprises and sectors to the new methods of management. And now to have a whole region operate in the new way? As a single cost-accounting complex? So far they only have been arguing about this, and what is most sad, as though this were a task not concerned with today and possibly not even with tomorrow.... We sit on the shore and argue how we shall sail beyond the blue sea!

No, under the conditions of restructuring of the economic mechanism, the regional experiment is practicable and, more precisely, needed even today. It could become a testing ground for verification of the new principles of managing the economy, which under ordinary conditions could not be achieved in its entirety. What do we have in mind? A complex of economic measures. Revision of wholesale and retail prices and at the same time, elimination of restrictions relating to pay. The former would bolster cost accounting, while the latter would make it possible to ensure the growth of the population's living standard. Is such a solution possible? Possibly. But at the same time, new-type enterprises should become widespread: share-holding, joint-stock, based on cooperative and family principles. And this in turn would require the spread of contract and rent relationships. It is also a problem with many unknowns. Recently, there have been many arguments on the feasibility of creating independent cost-accounting construction organizations. There are many supporters and opponents of such a solution. Who is right? The regional experiment could answer this question. And the creation of enterprises involving foreign capital? Under the conditions of the experiment, it would be possible to determine all their pluses and minuses. And there are many questions here: what should their interaction be with other state and cooperative enterprises of the region? How should the recruitment of worker cadres be carried out? How should the problems of wages and labor safety be solved and social guarantees preserved? In a word, we have in mind a region in which all enterprises and even individual citizens would be granted the right to economic activity based on self-management, self-financing and self-repayment.

What will the regional experiment provide? The apprehension exists that in perestroika the economy of a whole region with its positive and negative experience would not have an adequate "coefficient of performance." We are going to run all the time into ambivalence of measures in some economic units and with extremes in others. Well, the bureaucracy is very much relying on such mistakes. After all, this would be a winning argument for it: "Look where perestroika is taking us!" This must not be permitted. For this reason the experiment is

necessary. Large-scale, all-embracing. It will make it possible to highlight the strong and weak sides of the steps taken and will suggest how to avoid possible errors.

Transfer of the economy to effective methods of management makes it necessary to look anew at an economic dilemma: plan or market? And if we do not want to fall from one extreme to another, to lead the economy from bureaucratic stagnation to the stagnation of uncontrolled consumerism, we must put the question thus: both plan and market. But how do you find their proper combination? Especially since the development of commodity-money relationships, whether we want that or not, cannot be accepted at once by all economic elements. Some are ready for this, others still are not. This, of course, is no reason for rejection of radical reform. Yet among economists today, you can hear once in a while: "The economy cannot stand steep turns!" But economic development cannot proceed in any other way than through the struggle of the new and the old economic structures. Moreover, it can at times assume acute, if not antagonistic, forms. It is necessary to bring this to mind because the transition to full cost accounting likewise cannot be achieved without the introduction of new economic levers. We need to begin their creation quickly on a rather broad scale and not to frighten people away from the reform by a "return to capitalism," not to demolish their psychology with strong-willed methods.

Recently, an argument was stated to us against the regional experiment: economic thinking, people say, is not yet ready for this. The old stereotypes of management are still strong, and if we ignore this, we will ruin perestroika and lead the country into chaos. We cannot agree with this! The new thinking is not being created in a blank space. It cannot be introduced by a ministry directive. We must not, regardless of how much we might want to, go to sleep in a bureaucratic-command epoch and then wake up in a cost-accounting epoch.

"Is it possible to experiment on a whole region? Do you realize what this could lead to? What sort of distortions and disproportions in the economy?" Of course, this is not excluded. But absence of disequilibrium is of no help to disequilibrium. It is one thing when disproportions hold the economy back, hinder the introduction of advanced ideas, but it is another when they are connected with the fact that something has advanced and serves as a reference point and stimulus in socialist competition. The economy develops because of such disequilibrium and not at all because of routine stability!

Today the party, the Komsomol and the entire country are preparing for the 19th Party Congress. We are tying many of our hopes to it. Hence the profusion of proposals on the most diverse questions of our existence. And yet possibly one encounters most frequently remarks to the effect that party organs have found themselves drawn into everyday management. Why? Well for the reason that the economic mechanism has not operated as it should. It did not contain in itself sufficient internal

springs for it to undertake the fulfillment of targets "without a stick." And all the appeals remained unrealized to relieve party organs of problems whose solution has been assigned to others and not to replace economic stages. This became so deeply rooted that when the economy started to change the obstacle in its path was the habit of some to give commands and others to obey unquestioningly. Many of us could speak for hours in regard to the fact that this is bad. But how should one act under specific conditions in the solution of concrete problems? Here arguments become poorer and more slogans and appeals appear. Because no one has as yet tried differently! And this too is a task of the regional experiment! It must answer the following questions: How to simplify economic interrelationships? How to increase the responsibility of the region's enterprises to customers? The following factors come into operation which our economy has been deprived of up to now—initiative, risk and personal interest in the use of advanced equipment. This will permit party organizations to move away from economic everyday routine work and to concentrate their efforts on the solution of the main strategic questions of public life. Questions such as these no one except them can solve and must solve.

And what will the experiment provide for the youth? The possibility of exercising their own initiative and enterprise. To test themselves as managers and organizers of production. To develop the ability to think about interests of the work and about interests of the men. But is it worth while not to take into consideration the possibility of teaching young men and women cost accounting at work, the ability to earn money and to test oneself at work? After all, an earned ruble is spent differently. And this is already an element of economic culture. And this should be taught not only and not so much with textbooks....

Recall how often previously appeals were made for young people to go to distant construction projects, to the countryside, to switch to the service sphere. And will it be necessary to persuade someone to go, live and work in a region where an economic mechanism is being created that was earlier unknown? For example, the development of the Baykal-Amur Mainline zone on a new basis. Where it is possible to realize fully one's creative possibilities and to set up one's own enterprise. Where is it guaranteed that you will be living exactly as you work? Where does everything depend on yourself alone, on your contribution to the common cause? We believe that the very possibility of participating in such an experiment is attractive to many. And, furthermore, this experiment will provide us with new talented managers capable of heading the country's economy in the twenty-first century!

The Komsomol devotes a great deal of attention to working youth. The idea of creating an All-Union Association of Young Managers deserves support. It is only important that it does not become transformed into a

debating club for chosen ones or into a formal bureaucratic association. Such an association should be created for the sake of solving specific problems. Work is what should lie at its foundation. And the experiment is a good and very promising undertaking.

Perestroika is proceeding along an unexplored route. It cannot be achieved if people act as before because they are obliged to or are forced to. It presupposes initiative, work self-management, an intelligent combination of material and moral stimuli for work and for improving one's productivity. Today no one can be given ready-made prescriptions on how to solve these tasks. They must be sought by everyone together. And the regional experiment is the best possibility for that.

If the idea interests you, we would be happy to know your opinion.

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'Human Face' of Khozraschet in Estonia Described

18200184a Tallinn SOVETSKAYA ESTONIYA in Russian 1 May 88 p 3

[Interview of Valter Petrovich Leyni, general director of Slantsekhim Production Association, by V. Akimov: "The 'Human Face' of Cost Accounting"; first paragraph is source introduction]

[Text] Our interviewee is Valter Leyni, the general director of Slantsekhim Production Association imeni V.I. Lenin.

[Question] Valter Petrovich, let us talk about the "human face" of cost accounting and what it gives to people. In the given case, people are fully competitive—workers, employees and the entire collective of your association.

[Answer] In that case, I shall start with the chief consideration. The year of work under cost accounting and self-financing has been very successful for us: we acquired the challenge Red Banner of the CPSU Central Committee, the USSR Council of Ministers and the Komsomol Central Committee for winning in the All-Union Socialist Competition. This happened after an interval of several years. For us this is a very important acknowledgment of the correctness of the chosen path. In recent years, our collective has been censured often and many times. For reducing the rate of development, for getting stuck in retooling and for personnel scattering. Why, you yourself have written more than once about this in SOVETSKAYA ESTONIYA. More often than not we were justly scolded. I will not say that we received the criticism with satisfaction. Nonetheless conclusions were reached. And not just by ourselves but also those by those superior organs on whom the solution of the accumulated problems largely depended. We were helped in unraveling the tangle of problems by the party

gorkom, the Central Committee and the ministry. We finally succeeded in building a new gas generating station, beginning the construction of the next one and starting the modernization of obsolete units in shale processing production and seriously beginning work on problems of ecology. But the main thing is that we felt that we could ourselves be our own boss of our enterprise without interference from the USSR Ministry of Petroleum Refining and Petrochemical Industry. And the banner is now very apropos. Do you know how the people took it? They changed before our very eyes, becoming sharp, demanding. A paradoxical situation is actually being created where the better the association works, the more difficult it is for us managers.

[Question] Does this frighten you?

[Answer] I would not put it so simply—it makes us happy, but it also frightens us. It is becoming more interesting to work. The whole difficulty lies in the fact that broad rights presuppose the highest possible responsibility for measures taken. I myself feel that in the last year we had to spruce up. Although seemingly an opportunity appeared of sharing responsibility—an organ of collegial management—the labor collective council—was created in the association.

[Question] I happened to talk not so long ago with Boris Orlik, the chief of the sulfuric acid shop. They were the first at the enterprise to take the cost-accounting road. And his thoughts were in consonance with yours.

[Answer] This is an interesting collective in all respects. And the manager, or shop chief, as he is called here, is a brigade leader, an outstanding individual, and his men are as good as he. But imagine how a person must act when he feels himself to be a real manager of all the earned money, one who has the possibility of dealing with it as he sees fit? First, they got rid of all unnecessary workers. Those remaining began immediately to perform several functions. Second, they raised the pay for the work put in. They were able to enlist repairmen with the earned money without waiting for the association's management to turn its attention to them. That is, the possibility appeared of making equipment operate constantly. Any idling now, any delay will badly hurt everyone's pocket. And under these conditions, the possibility appeared of seriously concerning oneself with product quality. The relative share of the sulfuric acid, of the so-called "improved" acid, significantly increased. Consequently profit increased in the shop. Accordingly earnings grew. A kind of charmed circle. Only the "witchery" here relates to the Seal of Quality. GAC [Question] Everything that you have been saying is very interesting. But the following question arises: Things seem to be going a little too smoothly, a kind of rosy picture arises. Is everyone content and are there no problems?

[Answer] If only it were so.... We now have had "Lenin Fridays" for many years at the association. On these days, the association's managers meet with the men in the shops and at installations. Formerly it was possible to calmly paraphrase the text prepared by the party committee and to take leave. Now the "sleeping kingdom" has been forgotten. You can't get off with general words. The men want to know what was accomplished, how much money was earned and where it is being spent. We have adopted the new wage conditions. They themselves earned the money for raising wage rates and salaries. It would seem that everyone was informed; the transition was completed. And suddenly all sorts of questions rained down upon us: you promised to significantly raise wages and here I totaled up my earnings, and they, it turns out, have not grown. Explain why that has occurred, why are you not keeping your word? Or suddenly the economists understood clearly: it turns out that for the collective of that same sulfuric acid, lower norms were set, and they rushed to reexamine them. The men naturally were indignant: you want to put the squeeze on us and deprive us of our liberty?

[Question] And how do you reply to that?

[Answer] We examine each concrete case individually. And more often than not it turns out that many questions arise because of inadequate information. We obliged the economists to go to the shops to convince, to describe and to put everything in its place. A meeting was held concerning the "sulfuric acid." The economists admitted in front of the men their former mistakes and with figures in their hands showed where the new ones came from. They succeeded in removing the tension, the workers' mood was restored. But we extracted an instructive lesson. I would especially like to point out here the role of the association's labor collective council. At its proposal, and while taking into account the accumulated experience, we are now getting ready for the changeover to cost accounting of many subdivisions. Recently the following situation occurred at the mineral fertilizer plant. They were discussing what to do with one of the units at the ammonia-production installation. There were two proposals: either to repair the old one or to buy a new one. Valentin Bulanov, a mechanic and council member, presented convincing calculations: it is much cheaper to repair something 10 times than to spend the money on new equipment. The men agreed with his opinion. This is something you would not think of if you did not consider yourself an owner. And here is another example. The labor collective council is now looking very keenly into problems of introducing new equipment. And what do you think? We are today rather significantly surpassing the semiannual program of introducing new items into production. Please understand that the whole thing does not lie in the equipment, in how many innovations have appeared, but in the fact that all innovations are bound in the end to lighten the men's labor and make it more attractive and safe.

[Question] I understand that the collective, the workers themselves, now have at their disposal free earned

money. A part of it went for improving their pay and a part for technical needs. What then has the collective gotten as a result of the transition to cost accounting?

[Answer] Let us also add. Due to our own accumulations, we introduced as of 1 April extra pay for working on the night shift. Production in our case is around the clock, but work at night is not to everyone's liking. The 40 percent added to the rate which is now being paid will help stabilize personnel and reduce turnover. The additional remuneration for working on the night shift was introduced only a few days ago. Our plans enjoy a favorable response among the collective.

We have a problem of long standing—bus transportation in the city. For so many years we have gone to the Kokhtla-Yarva Autotransport Enterprise, begging, scolding, demanding: extend the city routes to our entrance gates. Remember there was talk about this on Open Letter Day which your paper held for us. But it was of little use. Now our labor collective council has decided to use Slantsekhim funds to make up the transport workers' loss and to conclude a contract with the autobus brigade on paying them bonuses from our funds for operating without interruption. I must honestly tell you that at first I felt no special enthusiasm for these proposals. Let everyone, I thought, take care of his own business. But later we talked it over with the council, added up expenditures and payback, thought that the matter of our people was okay and decided to sign such a contract. Let us now see how it works out in practice.

Now we have run into another problem. It is essential to resolve the housing program and it is necessary to develop the social and cultural sphere. We are ready for this. The money is available. We decided this year to allocate 2,150,000 rubles for these purposes. The construction people took from us only 1,650,000 rubles—they do not have greater resources. What does one do? We can, of course, take the good road of building with our own means. We created at the association a special sector. And... disbanded it—the USSR Ministry of Petroleum Refining and Petrochemical Industry did not keep its word. It did not provide us with the necessary construction equipment, and without it nothing could be done.

Nonetheless, we are not giving up. Right now the construction of an ice-skating rink with artificial ice is coming to an end. We have our own hockey team. Recently we had an international match—we crossed hockey sticks with Finnish friends. But the main thing is that more than 200 young men were taken off the streets and are successfully and with pleasure engaged under the supervision of experienced trainers. When we complete its construction, we hope that the new sports center will become the center for regular physical-culture exercises for many of the city's people.

[Question] Valter Petrovich, let us summarize the results of our talk. You are a staunch adherent of cost accounting. This is quite evident. Of course, it is not at all as simple as it is sometimes represented. But that's natural—the fact is that the route you have taken is for the most part unexplored. Thus mistakes and difficulties will be inevitable. The main thing, I believe, is that cost accounting facing the individual will win over more adherents even among the workers themselves. And the chief task now is to collect and accumulate the experience which will appear, to make it available to all and to convincingly demonstrate what cost accounting is capable of and what it will provide people and the concrete individual.

[Answer] I agree with you. This is what I am thinking. We decided at one of the meetings of the labor collective council to transfer to the city 300,000 rubles for the development of the water-supply and sewage systems. In Kokhtla-Yarva, this is a most acute problem. We do not insist that this be discussed at every street corner at the slightest pretext. We are not patrons of the arts, we simply are concerned about the city in which we live. We are concerned finally about ourselves. But I would like to know more about the contribution that other labor collectives are making to the development of our common home. This, I assume, will be a manifestation of that very same solidarity of workers under the present conditions of perestroika.

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RESOURCE UTILIZATION, SUPPLY

Gossnab Chairman on Supply Restructuring, Wholesale Trade

18200188 Moscow *PLANOVOYE KHOZYAYSTVO* in Russian No 5, May 88 (signed to press 20 Apr 88) pp 3-13

[Article by L. Voronin, deputy chairman of the USSR Council of Ministers and chairman of the USSR Gossnab, under the rubric "Restructuring: Experience and Problems": "Restructuring the Material and Technical Supply of the National Economy," based on a lecture given to Gosplan employees]

[Text] Fundamental restructuring of the organization of material and technical supply is one of the important conditions for successful implementation of the Communist Party's strategic policy to accelerate the country's social and economic development. Considerable attention has been devoted to this problem in the combination of measures specified by the June (1987) Plenum of the CPSU Central Committee for radical reform of the economy's management. The objective has been set: change the forms and methods of it basically and bring them into full conformity with the requirements of the new economic mechanism and the provisions of the Law of the USSR on the State Enterprise (Association).

The basis of restructuring material and technical supply is a decisive shift from centralized funding of material resources and the linking of consumers with suppliers for wholesale trade in the means of production and direct relations among enterprises. The directive, rigidly centralized methods of organizing supply which took shape in the past are being replaced by economic methods.

What was the reason for selecting such a direction for restructuring supply? The shift of enterprises to full cost accounting and self-financing presupposes that they will acquire broad independence. This is the core of the new economic mechanism. But it will be fruitless if an enterprise does not have a real opportunity to acquire the material resources it needs to turn out high-quality products and resolve production and social problems successfully with the money that has been earned.

Enterprises' sharply increased responsibility for the end result of their activity—the sale of output produced—is another condition for operating in the new way. While a market was essentially guaranteed before by targets and delivery authorizations passed down from above, it now depends directly on how skillfully an enterprise learns and meets the demand of specific customers.

Wholesale trade, which has to be converted into the basic form of material and technical supply, should tie these two conditions together. It would be incorrect to reduce the solution of this problem just to abolition of the "cards" in supply. Wholesale trade means not only supply without funds, but an entirely different type of relationship between manufacturer and consumer, based on the principles of mutual benefit and mutual responsibility, that is, this involves a shift to a fundamentally new and integral economic mechanism, and wholesale trade should become a kind of supporting structure for this.

In conformity with the decisions of the June (1987) Plenum of the CPSU Central Committee, it is planned to restructure material and technical supply in organic combination and unity with the reform of planning, financial and credit relationships, and prices and the systematic transition to full cost accounting and self-financing not only of the physical production sectors, but the other sectors of the economy as well.

In the final analysis, this has also predetermined the periods of time for restructuring supply. In 4 or 5 years we will have to complete the transition to wholesale trade and introduce new principles for adjusting production and consumption at the same time.

The essential nature of wholesale trade was determined by taking the exceptional importance of this area into account. Unlike funded supply, it is carried out in the form of free buying and selling in accordance with direct contracts between manufacturers and customers, as well as contracts with cost accounting agents.

At the same time, no estimates of need or other documents to substantiate it are required from the purchaser. The only condition for acquiring a product is the customer's ability to pay.

An essential feature of wholesale trade is that the customer has the right to select a supplier; this role may be filled by manufacturing enterprises, territorial supply organs, and commercial enterprises and firm stores.

The customer will be able to resolve all problems directly with the supplier, without the participation of a ministry or union supply organs.

What are the advantages of wholesale trade compared with the customary funded supply system? First of all, the periods of time between ordering and actual receipt of a product are brought considerably closer together. While previously a customer had to submit requisitions a minimum of 6 to 8 months before the beginning of the year, this period of time can be sharply reduced with wholesale trade (right up to a week, 3 days, and so forth). Though a system of differentiated price markups is established at the same time: rush orders will be higher than long-term orders. Secondly, as the result of the shortened time between the placement of an order and its actual receipt, it is possible for a customer's errors in determining his requirements to be reduced practically to zero. Thirdly, the organization of material and technical supply is simplified considerably with wholesale trade; five or six components were involved in funded supply.

Reorientation of the material and technical supply system to wholesale trade will ensure more efficient organization. Only one component—the manufacturer (in direct orders) or a territorial organ, if the volume of output ordered is lower than the transit norm—acts for the customer with this organization.

And finally, an important advantage of wholesale trade is that it increases the customer's responsibility for the reliability of the requirement made. In the practice of funded supply, a customer's order did not have legal force, and he could reject products that were ordered without any economic consequences for him. Under wholesale trade, the order assumes the force of a contract, and its rejection entails obligatory payment of a penalty.

A broad program of actions has to be carried out to ensure that all these advantages of wholesale trade are realized to the full extent.

To begin with, the economic regulators of consumption have to be linked up to the full extent: a financial and credit mechanism to counter expenditures and particularly prices. Not only producers and consumers should be shifted to the new principles of economic operation,

but material and technical supply and transport organs as well. This will establish uniform economic conditions for all participants in the process of production, turnover, and consumption.

Ensuring that the customer has real opportunities for selecting the best products and the most reliable supplier and establishing conditions for economic competition among enterprises, competition for the customer, and for filling the customer's orders to the best extent possible are necessary prerequisites for the successful development of wholesale trade.

Restructuring of organizational structures in the systems of sectorial ministries is now under way. Provision is being made for new structural formations: sectorial, intersectorial, and territorial-sectorial associations. And it is very important in this process of further concentration, specialization and combination of production not to allow purely production, narrow sectorial, departmental and localistic considerations to prevail, to take the new principles of the functioning of the national economy into account, and not to permit monopolization of production in individual associations and reinforcement of the producer's dictates over the consumer. The interests of developing wholesale trade, the interests of the consumer, and the essence of the new economic mechanism itself demand this. Do real opportunities exist to carry out these requirements not only in the future, but now as well? There is no question that they do exist.

An analysis of the level of production concentration in a number of sectors has been made by specialists of the USSR Gosstat. It revealed that there are roughly 1,100 enterprises which are the sole producers of about 1,800 types of output in the country. Its overall value amounts to about 11 billion rubles annually, and 10 percent of it is devoted to items for intrasectorial consumption. At the same time, there are a great number of enterprises which have the production and technical capabilities to turn out a wide assortment of the output needed (in ferrous metallurgy, for example). However, for a number of reasons, basically because of an inclination to retain the customary, traditional use of capacities, but often because of reluctance to meet customers halfway even when the opportunities exist to manufacture the articles required, each one of them specializes in the production of just one restricted assortment of products.

The result is a gain for the producer and a serious loss for the consumer, as well as for the entire national economy, inasmuch as a vast quantity of products has to be shipped for considerable distances, often from one end of the country to the other. This also happens because many enterprises "do not feel" the transportation costs with the practice of centralized accounting in effect, which add up to huge sums.

For this reason, the need to evaluate the specialization of production facilities in a new way and to approach it not only from the viewpoint of the producer's interests, but national positions as well, has become very urgent. And expanding wholesale trade rapidly and efficiently will provide crucial impetus in carrying out this task.

The radical changes that are forthcoming in the system of centralized distribution of material resources will ensure that centralized state principles in planning and managing material and technical supply are combined most efficiently with democratic principles in its organization. We must look for the forms and methods of planning resource distribution which guarantee proportional and balanced development of the economy and do not paralyze enterprises' initiative and come into conflict with their economic independence in the process. What are the basic ways of carrying this out?

By establishing the best possible limits for centralized resource distribution, first of all. At present, about 90 percent of production volume is assigned centrally. In 1992, this proportion should decrease to 20 to 30 percent. This correlation has to be viewed as optimal, bearing in mind that in the future centralized (limited) distribution should be retained only with respect to most of the fuel and power resources (electric and thermal power, oil, gas, and individual types of petroleum products and coal).

Special production equipment, in particular the equipment manufactured in accordance with designation lists, will not be subject to transferral to free trade, inasmuch as such products are directly and closely related to centralized investments, priority in the development of sectors, and the requirements for scientific and technical progress.

It appears that guaranteed supply also has to be retained for the distribution of products in particularly short supply for export and for carrying out certain other national tasks. The resources for centralized distribution should be organized principally on the basis of state orders.

More precise definition of the concept of the state order and the principles for organizing it is particularly important. The experience in drafting the economic and social development plan for 1988 conclusively demonstrated the need for this. The absence of a unified approach was revealed in this work and a number of serious errors were permitted.

First of all, the large proportion of the state order in overall production volume proved to be unjustified. It added up to 80 percent, and even 100 percent, of many types of output. Secondly, the products list for the state order was far from being thoroughly reasoned.

On one hand, all the output of substantial national economic importance was not included in it, and on the other hand, individual noncritical items, even those which were assigned for free sales without limits in some cases, went into it.

Certain ministries have not provided for a clear-cut approach to the issuance of state orders, either. For example, the USSR Minlesbumprom [Ministry of the Timber, Pulp and Paper, and Wood Processing Industry] included butyl acetate and ethyl acetate in its state order. But the USSR Minkhimprom [Ministry of the Chemical Industry], which gets one-third of the national output of these products, did not include them in its state order. Similar examples may be cited for low-power transformers, acetone, and a number other types of output.

Most of the output which is entrusted to the USSR Gosplan for central distribution proved to be outside the state order as well. This situation should be changed. It has been established that state orders henceforth will be organized by the USSR Gosplan and USSR ministries in coordination with the USSR Gosplan. A procedure has been prescribed for material and technical supply of state orders. Enterprises' requirements for centrally allocated material resources needed to fill these orders are provided for by the organs transmitting the state orders to enterprises (that is, the ministries) or territorial organs of the USSR Gosplan system for the products which they distribute.

Material resources for state orders sold in wholesale trade will be provided by enterprises independently by direct contacts with manufacturers or on the basis of contracts with territorial supply organs.

The appropriate producer ministries bear the responsibility for meeting the requirements of the national economy and preventing disproportions between production and consumption. They have been charged with reviewing the problems which arise in the course of concluding contracts and with ensuring that customers' requirements for deliveries of the products they need are met.

Practical refinement of the wholesale trade mechanism was begun as far back as 1 January 1987. About 10,000 enterprises and scientific research, construction, and other organizations in different sectors of the national economy have been receiving products without funds and limits. Initial experience has shown that shortening the time between placement of an order and receipt of resources guarantees substantial impact in countering expenditures. For example, the experience of the "Kuban" Agroindustrial Combine, where physical inputs per ruble of gross output were reduced by nearly 40 percent, is well known.

The Estonian Ministry of Construction, which was shifted to supply through wholesale trade, has produced a higher volume of work without bringing in additional

resources. Scientific research organizations in Belorussia and Leningrad have reduced their orders significantly. A similar situation has been observed at a number of other enterprises as well.

At the same time, last year's experience also brought negative features to light. A wide-scale shift to wholesale trade is impossible without introducing economic consumption regulators everywhere; this was graphically demonstrated, particularly in the example of the *Minstroydormash* [Ministry of Construction, Road, and Municipal Machine Building]. Enterprises of this ministry were shifted to unfunded supply on 1 January 1987. Stocks increased sharply here with the lifting of restrictions on obtaining resources. By the end of last year they were nearly 80 million rubles in excess of the established norm (including a particularly high increase in rolled metal that was permitted). The basic reason for that was the lack of principles for consumption that are restrictive and economic in nature.

In principle, the situation should change with the *Minstroydormash* enterprises' shift to full cost accounting and self-financing since 1 January 1988. However, in order to conclusively resolve this problem both in this and other sectors, a number of measures will be required, particularly a review of prices, improvement in the financial and credit system, and reinforcement of the economic mechanism's orientation to counter expenditures.

The USSR Gossnab is undertaking work jointly with the USSR Goskomsen [State Committee on Prices] to extend the scope of use of contract and commercial prices in order to motivate enterprises to increase the output of products in short supply and to influence consumers, bearing in mind the restriction of consumption and the search for efficient substitutes. The Gossnab and its organs have a great deal of work to do in this direction, inasmuch as they are more familiar with supply and demand conditions for specific types of products than other organizations and it is precisely their active participation which will help to determine the most effective points for applying major economic levers such as prices to balance consumption and production.

Two stages have been assigned for the development of wholesale trade. The first one covers 1988 to 1990. A characteristic of it is that all the economic levers to counter expenditures will not be fully included yet and that state orders will still play a considerable role in enterprises' production programs. It is planned to bring the proportion of wholesale trade in the overall volume of industrial production sales up to 60 percent in this period. The volumes of wholesale trade in 1988 will be quadrupled, totaling about 40 billion rubles.

In the second stage, wholesale trade will increase considerably with the introduction of the new economic mechanism everywhere, and in 1992 it will cover 75 to 80

percent of the overall output volume. The basic direction for development of wholesale trade will be unrestricted sales of entire commodity groups.

A list of such products, valued at about 15 billion rubles, has been established for 1988. In particular, different types of construction materials (2 billion rubles), electrical products and instrumentation equipment (2 billion rubles), industrial rubber products (1 billion rubles), most types of special work clothing and work footwear (about 2 billion rubles), and so forth have been shifted to unrestricted sales. This direction of wholesale trade development will become the predominant one in the future.

Other directions for the development of wholesale trade will be utilized at the same time in the first stage, based on the consumption pattern of individual sectors and regions and the necessity to provide for the national economy's most important needs on a priority basis. It is planned to shift the work being performed with an organization's own resources to supply through wholesale trade on a priority basis, so that the necessary conditions are established for enterprises to exercise their rights under self-financing.

Taking into account the experience that has been accumulated in providing for contracting construction organizations, it is planned to shift republic and union construction ministries to unfunded supply over the next 2 or 3 years. The continuity of the shift will be closely coordinated with the planned shift of construction workers to the principles of full cost accounting and self-financing. Construction organizations in Belorussia, Lithuania, Latvia, Moldavia, Tajikistan, and certain rayons of the RSFSR will be added to the construction ministries of Armenia and Estonia for such supply in 1988. Wholesale trade is being extended to individual regions. Estonia will become such a region in 1988.

Along with the organization of wholesale trade through the USSR Gossnab's territorial organs, it is planned to develop it through other channels as well. As a first step, about 300 product descriptions have been sent by the USSR Gossnab to producer enterprises for independent sales in response to direct orders from customers. A supplemental list of approximately 3,000 descriptions has now been established. This is an efficient course which makes it possible to link the interests of the producer and the consumer.

However, this does not mean an agent is ruled out completely. It is difficult for a producer to explore the market demand throughout the country independently, as a rule. Someone should assume the task of accumulating small orders as well. In many cases, a customer cannot manage without an agent when he is trying to find a needed product and a convenient supplier. It is no coincidence that the scope of activity by agents for firms in developed capitalist countries is expanding rapidly. Their share in the sales of ferrous metals, as an example,

over the past 10 to 15 years has increased from 20-25 percent to 40-45 percent. And it has exceeded 80 percent in Japan. Such a trend is explained primarily by the fact that skilled agents not only provide commercial and information services to customers and manufacturers, but they also assume responsibility for the production readiness of delivered materials related to cutting, threading, packaging, the application of reinforcement coatings, and so forth, that is, the process of production continues in practice in the area of turnover—making the use properties of a product suited to the requirements of a specific customer.

This direction of activity by our material and technical supply organs is also efficient from the standpoint of the national economy. Experience accumulated in the USSR Gossnab system demonstrates that providing production services such as this makes it possible to save up to 10 to 15 percent of the materials being processed. Steps are being taken to speed up the development of these services for this reason.

The USSR Gosagroprom [State Agroindustrial Committee] also began taking part in the development of wholesale trade in the latter half of last year along with the USSR Gossnab. Its volume here will reach 8.4 billion rubles in 1988, and it will exceed 20 billion rubles in 1990, according to preliminary estimates.

The outlook for the development of wholesale trade in petroleum products has been determined. Different types of oils with a total value of over 1 billion rubles have been shifted to unrestricted sales in 1988. In 1990, the volume of unfunded sales of petroleum products will be increased up to 7 to 8 billion rubles.

Wholesale trade through the firm stores of sectorial ministries should be widely expanded. Such stores now exist in the USSR Ministry of the Chemical Industry ("Khimreaktiv") and the USSR Ministry of Instrument Making, Automation Equipment, and Control Systems ("Nauchnyye pribory"). Similar stores will be established in other sectors as well.

A broad network of commission stores is being established to overcome the serious deficiencies in organizing enterprises' exchange and sale of products which they do not need. There will be more than 150 of them in the USSR Gossnab system by the end of the five-year plan.

Provision has been made to develop a fundamentally new direction in wholesale trade involving the unrestricted sale of types of materials, equipment, and technology in short supply for transfer rubles.

With a number of enterprises granted the right to independent foreign economic activity, they have received currency which is sometimes very difficult to use. For

this reason, the USSR Gossnab is organizing the sale of a wide variety of products, including imported ones, for transfer rubles. Sales will therefore be made at commercial prices.

In order to speed up the process of transition to wholesale trade, creative initiative and active effort in a given business has to be more extensively developed and supported. The USSR Gossnab has granted its territorial organs the right to independently expand the lists of products for unrestricted sale. The same right has been given to ministries. However, they are now "getting started," although a great deal in wholesale trade development depends on their position. In the final analysis, the proportion of products sold freely should become one of the indicators of how a ministry is carrying out its principal task—meeting the national economy's requirements for the sector's output to the fullest possible extent.

The USSR Gosplan and USSR Gossnab, together with the ministries, will have to gradually shorten the list of centrally distributed products and shift them to wholesale trade. As a matter of fact, this is the crucial direction in developing this form of supply, and it must be purposeful and systematized in nature.

In order to prevent interruptions in supply, which is a continuous process, the establishment of real balance between production and consumption is very important. We often encounter subjectivism with respect to this problem, when an estimate is made just from the base of the previous year or the total orders by sectors, which are often overestimated. The USSR Gossnab aims at thorough analysis of the balance, which produces positive results. In providing customers with tractors, for example. Careful analysis has revealed that a considerable number of certain types (with a total value of 500 million rubles) are surplus to the national economy's requirement. So there is a real opportunity to organize unrestricted trade in them. A number of tractor models have now been transferred to unfunded sales for direct orders from customers. The same situation applies to spare parts for motor vehicle, tractor, and agricultural equipment. Out of 37,000 descriptions, only 1,500 of them are not being fully provided for.

However, this does not mean that a shift to wholesale trade is possible only for products that are not in short supply. Available experience has demonstrated conclusively that wholesale trade itself has a positive effect on shortage by optimizing material stocks and correcting the overestimation of needs.

The view is sometimes expressed that wholesale trade leads to a repudiation of planning. There are no grounds for such an assertion. The shift to wholesale trade presupposes a fundamental reorganization of planning work, but under no circumstances a decrease in its importance. Planning of production needed is acquiring new content and quality at the state level. Adjustment of

the basic proportions for developing the economy with the aid of economic methods, not the establishment of directive targets for production and consumption, is becoming the basis for it.

It should be noted at the same time that this work is proceeding in a number of cases without the efficient interaction of the USSR Gosplan and USSR Gossnab. The need for efficient joint action in this direction will increase significantly in the future, when the overwhelming majority of products on the USSR Gossnab products list will be sold through wholesale trade.

The June (1987) Plenum of the CPSU Central Committee specified the measures to establish a new integrated system for management of the economy. It assumes not only that the responsibility and sphere of activity of all organs of state economic administration are differentiated, but that the nature of their relationships is changed as well.

The role of balancing work is becoming more and more prominent. In wholesale trade, most of the material balances will begin to be estimative in nature. The necessary balance will be achieved through purposeful interaction among all central economic organs and ministries. Among the economic methods of adjusting the proportions of production and consumption, considerable importance is attached to centralized capital investments, allocation of complex technological equipment to specific recipients for the expansion of capacities to turn out products sold through wholesale trade, and a coordinated foreign economic policy. It is clear that activity by the USSR Gosplan and ministries under the new conditions will begin to be carried out in closer interaction with the USSR Gossnab. Information on the actual supply and demand conditions for the overwhelming majority of products will be concentrated in the USSR Gossnab system.

For this purpose the USSR Gossnab is setting up a powerful automated system capable of organizing analytical data on the balance of production and consumption in the country for specific types of products and the level and location of stocks. The automated information system makes it possible to maneuver material resources on a day-to-day basis, adjust deliveries and the current production balance with material resources, and provide information and commercial services on a cost accounting basis to enterprises in accommodating orders and organizing the sale of the products they turn out, as well as analysis and forecasting of demand.

The development of wholesale trade and the restructuring of the planning and organization of material and technical supply as a whole have resulted in the need for substantial changes in the structure of USSR Gossnab organs and the principles of their activity. The new supply mechanism, in which wholesale trade becomes the pivotal factor, forms the basis for these changes.

Centralized distribution will be retained only for individual types of products which determine the major national economic proportions.

Previously, the structure of the USSR Gossnab system did not enable it to shift to this method of supply. Before restructuring, the Gossnab and its organs, including the territorial organs, were basically oriented toward centralized distributal areas, to territorial organs, which are becoming the basic link in the Gossnab system. They are responsible for establishing the region's requirements and working out the balances for the most important types of products; for placing customers' orders and organizing efficient economic ties; for the accumulation and realization of orders for products in quantities below the transit norms; for developing the necessary backup stocks in the region; for providing services to customers in increasing areas, to territorial organs, which are becoming the basic link in the Gossnab system. They are responsible for establishing the region's requirements and working out the balances for the most important types of products; for placing customers' orders and organizing efficient economic ties; for the accumulation and realization of orders for products in quantities below the transit norms; for developing the necessary backup stocks in the region; for providing services to customers in increasing the production readiness of materials being delivered, in selling surplus products and industrial by-products, and in providing instruments, equipment and technology for lease (for hire); for the collection and processing of secondary raw materials, the repair of reusable containers and the manufacture of new ones; and for providing information to customers on the technical specifications of products and the opportunities to acquire and utilize them most efficiently. As we see, the role of the USSR Gossnab's territorial organs is being sharply increased. They are responsible first of all for keeping track of the pulse of turnover and preventing any kind of obstruction in the system for moving material resources from the producer to the consumer.

Unlike the current practice, it is planned to require payment for all the services which territorial organs provide to customers. Territorial organs are becoming cost accounting partners with the enterprises. In order to increase their material incentive and ensure that they have equal responsibility with enterprises for the results of their activity, the territorial organs are being shifted to full cost accounting and self-financing in 1988.

Fundamental changes are being made in the functions performed to date by the soyuzglavsnabsbyty [supply and sales main administrations]. To the extent that wholesale trade is developed, the functions for centralized distribution and assignment of products by order will be replaced by the development of estimated balances and the regulation of supply with the aid of economic methods. It has become apparent that there is

no point in retaining the supply and sales main administrations in their current capacity under such conditions. They have been abolished, and their functions have been transferred to the central staff of the USSR Gossnab.

In connection with the development of wholesale trade and direct contacts among enterprises and their shift to the principal organizations which existed previously. The new administrations are responsible for supplying customers in the region without regard for their departmental affiliation. Enterprises and organizations of the USSR State Agroindustrial Committee, the Ministry of Railways, and certain other sectors will be an exception.

The state committees for material and technical supply of union republics which are not divided into oblasts are also being shifted to the principles of full cost accounting and or management in the Gossnab system. The oblast (kray) main territorial administrations have been designated as the basic cost accounting component in the system. This means the organization in each oblast and kray of unified cost accounting main administrations by amalgamating the two supply organizations of the Gossnab and the oblast (kray) ispolkoms which operate in parallel with each other. Altogether about 130 main territorial administrations have been created to replace the 228 supply organizations which existed previously. The new administrations are responsible for supplying customers in the region without regard for their departmental affiliation. Enterprises and organizations of the USSR State Agroindustrial Committee, the Ministry of Railways, and certain other sectors will be an exception.

The state committees for material and technical supply of union republics which are not divided into oblasts are also being shifted to the principles of full cost accounting and self-financing, and they will form a basic component in the USSR Gossnab system.

For the main territorial administrations being created as part of the gossnabs of union republics which are divided into oblasts, an arrangement is being set up for direct interaction with the USSR Gossnab on questions of organizing resources for wholesale trade and placement of customers' orders. Hence the functions and structure of the gossnabs of union republics with oblasts are being substantially changed. The republic supply and sales and procurement main administrations are being abolished as an unnecessary element in the new supply system. The structure of the supply administration in the RSFSR will have its own characteristics. The main territorial administrations being created in the RSFSR are being placed under the direct authority of the USSR Gossnab.

The structure of oblast (kray) main territorial administrations has been oriented toward the territorial organ's operation under wholesale trade conditions, taking the new principles for organizing supply into account; the subunits which work directly with the customer have been consolidated and are being substantially reinforced.

Extensive development of new forms of activity, primarily various types of services, is being planned. Commercial centers are being established as part of the territorial organs; they will provide different services requiring payment: exchanging surplus goods between enterprises, making transactions for the delivery of new and nontraditional types of products and their advertisement, and selling cooperatives' products. And a fundamental feature of these centers is that they will be serving all enterprises, regardless of their departmental subordination and territorial location, including kolkhozes, sovkhozes, and citizens engaged in individual labor activity.

Stores will be established in cities (except for oblast centers) instead of large supply bases in order to provide better support for customers, concentrate resources, and prevent excessive capital investments. The consumer will not only be able to buy products he needs from the assortment available in them, but order large batches which will then be delivered to him from centralized oblast bases.

In connection with the shift to the new principles of organizing material and technical supply, the structure of the USSR Gossnab central staff has been reorganized on the basis of large intersectorial complexes by specifying each one's functional orientation. Altogether nine complexes have been created, including six for resource supply.

The Consolidated Economic Complex has been assigned as the main one. It is responsible for developing the primary economic data for planning and organizing material and technical supply for the national economy and developing and improving wholesale trade and economic methods of supply management, as well as working out the balances among products and consolidated proposals for the export and import plan and performing consolidated functions to provide for the country's major needs.

A resource conservation complex has been created to coordinate work under way in the country to economize material resources and utilize them efficiently. It has responsibility for developing and implementing national, sectorial and regional programs of resource conservation and organizing, together with the USSR Gosplan, the overall indicators for economizing major material resources; it also has responsibility for carrying out a unified scientific and technical policy with respect to transport containers and containerized shipments.

It is planned to work out the balances and practical organization of wholesale trade with the appropriate types of products in the context of the following resource conservation complexes: fuel and power, machine building, metallurgical, chemical and lumber, construction, and the social area.

The structure of each of these complexes is based on a common plan: a consolidated department and departments for balances and wholesale trade. At the same time, the commodity specialization of the departments cited was determined in accordance with the new principle, which reflects the consumer properties of a product, not the sectorial characteristic of its production. As an example, the machine building complex, established on the basis of 13 former supply and sales main administrations and four administrations of the central staff, covers four consolidated groups of machine building products. This makes it possible to reinforce the intersectorial directivity of all work to provide the national economy with this output.

Resolution of intrasectorial problems has been concentrated in the complex for administration of the Gossnab territorial system. It includes an economic department, a scientific and technical department, a capital construction department, an equipment and complete unit department, and a production department. Taking into account the new requirements, changes are being made in the nature of the work and the manpower of subunits not included in the complexes. The work force of the Gossnab central staff as a whole (taking the number of supply and sales main administrations abolished into account) has been reduced by 40 percent.

The restructuring of the supply system that is being carried out is a highly complex and multifaceted process. It affects not only the USSR Gossnab system and its

organs, but practically every enterprise and ministry and other organs which manage the national economy. An important link in all this restructuring is the radical reorganization of the system of material and technical supply. And a great deal will depend here on efficient interaction between the USSR Gosplan and the USSR Gossnab and on their harmonious and purposeful work, coordinated in times and approaches.

An important event in the life of the party and the people is drawing near—the 19th All-Union CPSU Conference, which will review the progress made in implementing the decisions of the 27th CPSU Congress, the basic results of the first half of the 12th Five-Year Plan, and the tasks of party organizations in intensifying restructuring.

All employees of the USSR Gossnab system who are involved in carrying out the important tasks to accelerate the country's social and economic development will have to take an examination for the work conducted since the start of the radical economic reform and entry into the new stage of restructuring. They consider it their duty to ensure that the measures stipulated to restructure the material and technical supply of the national economy are turned into specific deeds and positive, practical results in short periods of time.

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AGRO-ECONOMICS, POLICY, ORGANIZATION

Moves to Stimulate Agricultural Production in Siberia

Lead Article on Private and Collective Efforts
18240069 Omsk ZEMLYA SIBIRSKAYA,
DALNEVOSTOCHNAYA in Russian
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[Lead article under "Implement the Decisions of the 27th CPSU Congress" rubric: "Private Subsidiary Plots, Collective Gardening, and Truck Farming Are Important Sources for Supplementing Food Resources"]

[Text] Every year dozens of out-of-town delegations arrive in Omsk Oblast to gain experience in developing private, subsidiary plots and collective gardening, which have become a major help in improving the population's food supply. What is the value of this experience? Why is there such a lively interest in it not only among Siberians and Soviet Far Easterners, but even among representatives of the country's southern oblasts, where conditions are significantly better for growing agricultural food products in the individual sector? This question was answered in detail and fundamentally by M.F. Lo zhkin, chief of the Subsidiary Plot Subdivision of the Omsk APK [agroindustrial complex] in our journal's eighth issue last year.

Let's just recall that, as a result of a whole complex of measures here during the last 10 years, there has been a considerable increase among the population in the head of cattle, milk cows, pigs, sheep, and goats. Meat production increased by a factor of 3.4, milk—by 21 percent, while purchases of these items increased by factors of 4 and 7 respectively. Meat prices have not exceeded 3.5 rubles per kg [kilogram] in kolkhoz markets during the last few years. All stores have plentiful supplies of semi-processed meats, butter, and other dairy products.

The oblast and rayon food commissions daily study all questions connected with the development of private, subsidiary farmsteads. Every family possessing livestock is allocated haylots and pastures in a timely manner; the demand for piglets and young fowl is also being fully satisfied. The experience of the Omsk people, as approved by the Presidium of the RSFSR Council of Ministers, has shown the great possibilities of the individual sector for increasing food resources and strengthening staff personnel in rural areas. Stable work collectives are now employed on most farms. This example refutes the incorrect opinion which has evolved to the effect that increased attention and aid to private, subsidiary farmsteads reduces the labor activity or workers and kolkhoz members engaged in public production.

Interesting experience has also been accumulated in Novosibirsk Oblast and Krasnoyarsk Kray, where the local organs have worked out and approved comprehensive programs for developing private farmsteads. Testimony as to how they are doing has been provided by the work results of specific farmsteads. For example, on the Kolkhoz imeni Karl Marx, Karasukskiy Rayon, Novosibirsk Oblast, every rural inhabitant can obtain young livestock, concentrated feeds, and silage. Half of the peasant farmsteads have sows, which allows the population's need for piglets to be fully satisfied. Every year the kolkhoz sells more than 4,000 chicks and 3,400 goslings to its own members. More than 1200 kg of milk, 105-110 kg of meat, and 6-7 kg of wool are purchased here for each farmstead.

There are quite a few similar examples in our region whereby effective use is made in the localities of the individual sector's possibilities for improving the population's necessary food supplies. Nevertheless, despite notable positive changes in this matter, the following conclusion can still be drawn: the practical activity of many agricultural committees, RAPO's [rayon agroindustrial associations], kolkhozes, and sovkhozes with regard to the party and the state, the decrees of the party and the government which have been adopted during recent years concerning the development of private subsidiary farmsteads do not measure up to the requirements of perestroyka and the decisions of the June (1987) Plenum of the CPSU Central Committee for improving the population's food supply. In certain krais and oblasts of Siberia and the Soviet Far East the same old undesirable tendency remains of reducing the head of livestock and poultry on private farmsteads; and this, naturally, has an effect on the per capita production of milk, meat, and other products.

What are the reasons for the reduction of the head of livestock in the private sector? As sociological studies have shown, one of the main reasons is the unsatisfactory provision of animal feeds. On many kolkhozes and sovkhozes the provision of fodder for privately owned livestock amounts to 40-50 percent. If we include the reserves, however, they turn out to be enormous. Nowadays on such farms practically no use is made of remote pastures and haylots. Likewise inconvenient are fodder-producing lands which have been set aside for pasturing and for producing hay; they have a low level of productivity, and little is being done to improve them.

Calculations have shown that for the RSFSR as a whole merely by means of superficially improving the fodder-producing areas set aside for the population (8 million ha [hectares]) and keeping them in long-term utilization we could obtain an additional 3.5-4 million tons of fodder units, which, when converted into a product, would amount to 3-3.5 million tons of milk. The abundant fodder resources of Siberia and the Soviet Far East are still being very poorly utilized. Our readers from Irkutsk Oblast, as well as the Maritime and Krasnoyarsk krais inform us that work is being conducted too passively

here with regard to cultivating fodder-producing areas, and not enough mineral fertilizers are being applied. And how are marshland meadows being used? In Novosibirsk and Omsk oblasts alone they occupy more than 320,000 ha, but they have not yet become a good help in creating a first fodder base for either public livestock raising or for the private, subsidiary farmsteads.

In one of last year's issues of this journal the editors discussed the experience of Siberia's first interfarm enterprise for fodder production, which was created in the Vengerovskiy Rayon, Novosibirsk Oblast in the marshland areas of the Om River. Why not organize similar enterprises in the marshlands of the Ob, Irtysh, and other rivers? They would be able to expand work on fodder procurement in the marshland areas not only for public-type livestock raising but also that in the private sector.

The reader T. Ivanova from Chita Oblast writes as follows: "We keep a cow on our private, subsidiary farmstead; every year we turn over bullocks and milk to the state. Mixed feeds are not sold in our region, nor do we have haylots; we just cut grass wherever we can...." And here are some lines from a letter sent by Z. Badmayev from the Buryat ASSR: "What is happening here? They campaigned for us to keep livestock on our private farmsteads, but when the time to sell it approaches, a long, drawn-out proceeding begins: either the procurement agents have no motor vehicle, or the purchase prices have not been determined.... Could it be that there is so much meat in our food stores? No, no...there's just not enough of it. So what's the matter? Where will the braking mechanism wear out?"

In replying to these and similar letters, the following question arises willy-nilly: With such favorable conditions for developing citizens' private, subsidiary farmsteads, collective gardening, and truck farming, why is it that these important sources for supplementing food resources have been underestimated up to now? Our correspondents have had occasion to become acquainted in the region's agricultural committees with measures for stimulating the production of meat, milk, potatoes, vegetables, fruit, berries, and other agricultural products on citizens' private, subsidiary farms, collective gardens, and orchards. They are quite effective. But many measures, as was revealed during the course of studying the situation in the localities, have still remained on paper. Just take, for example, the development of cooperation between the population's private, subsidiary farmsteads and public production under contractual conditions, on the principles of collective and family-type contracts. In certain rayons these forms of cooperation are being introduced extremely slowly, although the conditions for them do exist.

Excessive regulation and lack of attention to citizens' needs are leading to a reduction in the head of livestock. A portion of the concentrates earmarked for sale to the population is not being used for this purpose. Of course,

the more rapidly these and other shortcomings are eliminated in the localities, the more substantial will appear the possibilities for subsidiary farmsteads to increase the production of agricultural items.

The rural family is the economic and social nucleus of our society; it is also the work collective of the farmstead with its inherent organization, division, and cooperation of labor. A highly effective management of the private farmstead is an inextricable part of public production, as well as a person's entire way of life and general culture. It must be noted that many young rural families do not have sufficient experience or the necessary know-how to keep livestock or to cultivate orchard and garden crops, and this also hampers the breeding of privately owned livestock. Only one-third of the families with an average age under 30 engage in farmsteading, and, moreover, only half of them keep livestock. On many farmsteads and even entire villages the traditions of high standards in domestic farming have been lost. To a large extent, of course, this is connected both with the multi-story buildings in rural areas and with the psychological climate which was created for years in the village whereby it was considered that exceeding the "norm" in having livestock was detrimental to a rural person's interest in public production. As a result, intrafarm outlays of milk and meat increased, pilfering and theft of these products were permitted, and there was a decline in the prestige of engaging in private, subsidiary farmsteading.

A negative influence on the development of private, subsidiary farmsteading is exerted by the labor intensiveness of conducting it. As research studies have shown, each family here expends 4 or more hours of working time every day and with a labor productivity of only $\frac{1}{3}$ that in public-type production. It must be noted that many farms, even those lacking small-scale mechanization on the rural farmsteads, find ways to lighten the labor load of rural inhabitants and, consequently, to increase their productivity. For example, on certain farms located in the Maryanovskiy Rayon, Omsk Oblast they have fully assumed the tasks of plowing, planting, and processing potatoes. In addition to this, services are rendered here with regard to haying, hauling fodder and fuel; transportation is also offered for selling surplus products.

Our correspondent recently became acquainted with an interesting experiment in Sverdlovsk Oblast with regard to rendering assistance in developing private, subsidiary farmsteads for city-dwellers. Here 86 livestock-raising cooperatives have been set up whose shareholders are 38,000 city families. They have haylots and pastures, tractors, agricultural lands, and trucks. Bulls for purposes of siring, sows, and workhouses are kept on farmsteads and in barnyards. Breeding centers and artificial-insemination stations have been organized and are in operation. The cooperatives render numerous services to the city-dwellers by way of hauling fodder, plowing truck farms, covering and breeding cows, heifers, and sows, as

well as obtaining piglets. These services allow them to produce 60,000-70,000 tons of milk annually, along with 8,000-9,000 tons of added weight to the livestock and poultry.

As is known, in order to create more favorable conditions for developing citizens' private, subsidiary farmsteads, collective gardening, and truck farming, as well as to eliminate the major shortcomings which exist in this matter, the CPSU Central Committee and the USSR Council of Ministers adopted several decrees. They are aimed primarily at implementing effective measures to stimulate the production of agricultural items on private farmsteads, collective gardens, and truck farms. It has to be recognized as feasible to abandon the practice which has evolved of setting limiting norms for keeping livestock and poultry on the population's private, subsidiary farmsteads, as well as on the dimensions of farmsteads belonging to sovkhoz workers and office employees, along with other citizens living in rural areas. The norms for keeping livestock and poultry, as well as the dimensions of farmsteads are now determined by village and settlement Soviets of People's Deputies, kolkhozes, and sovkhozes, taking into account the participation of kolkhoz members, sovkhoz workers and office employees, and other rural inhabitants in public production.

In order to increase the motivation for private, subsidiary farmsteading and for developing private housing construction for citizens living in rural localities, considerable credits are being granted. Thus, for building private homes with barnyard structures, credits of up to 20,000 rubles are granted with a provision for amortization; for building farmstead structures to keep livestock and poultry, credits of up to 4,000 rubles are granted with amortization to be spread out over 10 years, beginning with the third year after the credit is obtained. Aid is also rendered in obtaining means of small-scale mechanization for performing operations on a private, subsidiary farmstead, for obtaining cows, building garden sheds and farm structures on land sections, etc. All these and other incentives must be fully utilized in each RAPO [Rayon Agroindustrial Association], kolkhoz, sovkhoz, and APK organization so that in the very near future we may fully satisfy the appropriate needs of rural inhabitants for food products.

Relying on APK aid, many private, subsidiary farmsteads now have surpluses of items produced, which, as a rule, are sold in accordance with contracts concluded with farms, enterprises and organizations of consumer cooperatives, as well as on the kolkhoz market. However, as the letters received by this journal's editors hint at, there are still enough difficulties with the sale of surplus products in the localities. There are instances of refusals to accept livestock and milk from the population, trade in agricultural produce in the markets is poorly organized, and a particularly large number of problems have arisen with selling fruits and vegetables.

In conjunction with the consumers' unions, the agricultural committees must persistently develop a network of rural consumers' societies (selpo), create trade-procurement and processing enterprises of an association based on cooperative principles, concentrating their activity on a multi-faceted improvement of trade services to the rural population, along with the procurement and processing of agricultural products and raw materials. We must expand the practice of concluding long-term contracts with citizens who have private, subsidiary farmsteads, with gardening societies and collective truck farms for the production and sale of agricultural items.

In 1986 the RSFSR had more than 30,000 gardening societies in operation, uniting 5.1 million families of citizens. Collective gardens were possessed by 4.2 million families of workers and office employees. Garden, truck farm, and orchard sections ensure their owners' personal needs for fresh berries and fruits by 53 percent, vegetables by 31 percent, and potatoes by 100 percent. Many gardeners keep rabbits, poultry, and bees on their own sections. There has been a markedly noticeable increase of gardening societies in our region, especially in Krasnodar Kray and Novosibirsk Oblast. In many oblasts and krays distribution schemes for collective gardens, truck farms, and orchards have been worked out. Their facilities, energy and water supplies have been provided for; telephone communications have also been provided. Lands of the State Land Fund have been allocated for collective gardens, truck farms, and orchards; these include, when and if necessary, lands from kolkhozes, sovkhozes, and other agricultural enterprises.

Implementing the complex of measures designed to develop the private, subsidiary farmsteads of citizens, collective gardening and truck farming, stepping up the attention being accorded to them by agricultural committees, kolkhozes, and sovkhozes will allow an increase in their contribution to food resources and a more active solution of urgent social problems in the rural areas.

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Adjustments to New Economic Conditions in Novosibirsk Oblast and Krasnoshchekov Comments

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[Article by S. Kostornoy, TRUD correspondent, under "Cooperation: Practical Experience and Problems" rubric: "Virgin Soil of the Krutishinskiy"; first paragraph is TRUD introduction; last five paragraphs are Krasnoshchekov commentary, as indicated]

[Text] In his speech at the Fourth All-Union Congress of Kolkhoz Members, CPSU Central Committee General Secretary M.S. Gorbachev noted that creating the new form of production organization necessitates a change in the structure of kolkhozes and sovkhozes. In fact, they

are becoming cooperatives which consist of independent labor collectives. Such a possibility has been opened up by the Law on Cooperatives. Models of such kolkhozes and sovkhozes have already been created and are beginning to function. Cited as one example was the Krutishinskiy Sovkhoz located in Cherepanovskiy Rayon, Novosibirsk Oblast. The correspondent's report which we are publishing here today discusses the structural principles upon which this new farm is based.

The road is not too long from the rayon center of Cherepanovo to the Krutishinskiy Cooperative Farm. Wet with water from melted snow, the thin band of asphalt went around a bend after about 20 minutes, and there was the village, as is resting in the palm of one's hand. White, two-story houses, the school and the club, brick buildings of the repair shops, rectangular, livestock-breeding areas, and round about—as much as the eye could take in—were snow-covered, level fields.

Until very recently a sovkhoz operated in the village of Krutishki and the neighboring Karaguzhevo. And just this spring 33 independent primary cooperatives were formed on this farm, 21 of which are directly engaged in producing agricultural items, and 12—in services. Though they have few members—ranging from three to five persons each—these cooperatives have undertaken to carry out two or three times as much work on them as before. Seventy-four persons were laid off and then channeled into construction, everyday-services, and other fields. These are, so to speak, the initial results of organizing the farm on a completely new foundation.

V. Mironenko, chairman of the cooperative council, and the cooperative members with whom I met during these days are optimists. But this optimism is not heedless or without a look back. It was not on a bare space that the Krutishinskiy people undertook to erect, figuratively speaking, a new framework for their farm. This structure had a foundation of cost-accounting units which had already justified themselves by deeds. At the beginning of this past year 27 units were formed in the sovkhoz; their labor payments depended directly on end results. During the course of 1987 the production of agricultural items at the Krutishinskiy increased by 200,000 rubles, while expenditures were cut back by more than 300,000 rubles. Some 2,000 rubles in profits were earned.

This last-named figure may possibly evoke a smile in the reader—it is not much of a profit to brag about! But for this farm, which had not emerged from among the laggards for many long years, these 2,000 rubles are very dear—albeit if only as a symbol of a long-awaited change. The people believed in themselves, in the correctness of the course which they had chosen, and in the recommendation by the scientists of the VASKhNIL [All-Union Academy of Agricultural Sciences imeni V.I. Lenin] Siberian Division, who had helped them to master the new system of organizing labor. With their aid it was also discovered what was hindering them,

despite intensive work in the fields and on the farmsteads, from getting onto the path of becoming a well-to-do farm. The production units were turning a profit, but it proved to be the case that the service units were reducing it to nothing by their own losses.

Having drawn such a conclusion, the scientists also proposed the creation here in all subdivisions of small, financially independent cooperatives to be headed up by the cooperative council. The workers discussed this proposal on several occasions; and only after all the "pros" and "cons" were carefully weighed did they agree. The oblispolkom adopted a decision to create the oblast's first cooperative farm.

The first four cooperative units undertook to cultivate grain, the next six—to produce milk. Cooperatives were likewise started to raise young livestock for the purpose of adding to the dairy herd, to fatten up bullocks, and provide green fodder for the livestock. Moreover, there is a honey-producing cooperative and even an industrial one, which will produce sets of items for one of the Novosibirsk enterprises.

Each of them has their own accounts book and its own separate account of the farm's financial-accounting cooperative—yes, there is one! But in the bank there is a common account for the cooperative farm as a whole. The better the 21 production cooperatives work together and the larger the cost-accounting income is formed, the greater will also be the contributions made to the normative shares of the 12 service cooperatives. That is also a cooperative which combines office management, moreover, not to issue orders but for services—such now is the status of the administrators; and financial-accounting, scientific-and-technical, and social-everyday-service cooperatives are directly interested in the successful work of those who cultivate crops and keep livestock. Otherwise, they will receive only monthly advances, and by year's end they may be left without any payment. Compare that with the following: a year or two ago the agronomists, engineers, bookkeepers, etc. had fixed salaries, which could be "justified" merely by their presence at work.

A. Lebedev, chairman of the cooperative for providing fodders to domestic mini-farms, evaluates the situation which evolved in a peasant-like, simple way as follows:

"It's not the administration which hired us for work, but we who hired it. Those who produce material goods now also collectively decide how best to dispose of the assets and how matters should be handled. But, you know, it used to be different. The director would assemble the brigade-leaders and say something like this: 'They called me up from the rayon center, and we have to do this, that, and the other thing.' The brigade-leaders would shrug their shoulders and set out to pass the word along to the teams. But now nobody drives people on. And it has become easier to work. By the way, when we all

received our own accounts, the arithmetic of the earnings and losses became simple and clear. For example, our collective has five machine-operators. We procure fodder for the private, subsidiary farmsteads. We know how much, for example, a ton of hay costs, and we know that by gathering it in plots we burn quite a bit of fuel in our tractors and lose a great deal of time. Now we will be restoring the naturally suitable lands and the trampled-down pastures; 900 hectares of them are being accumulated on the farm. Furthermore, on more than one set of hectares we will be mowing the aftermath of sown grasses, which has usually been lost under the snow. Such fodder will be easily obtained and of good quality. And now people on pensions will not have to run after the tractor-operators with 'gifts.'

Today you can see on the Krutishinskiy more than one confirmation of the fact that this cooperative farm's workers have begun to count the public kopeck. For example, units engaged in cultivating grain crops no longer attempt to demand and obtain some more equipment from the farm management; of course, they would have to purchase it with their own money. Furthermore, for each hectare of attached land they also have to make an annual lease payment. Let's say, for example, that the cooperative headed up by V. Kuzin has undertaken to cultivate 1207 hectares of grain-producing land. In the fall it must pay exactly 10,000 rubles to the cooperative farm fund out of its own gross earnings for this area. And so the machine-operators try to utilize fertilizers (which also must be paid for) more effectively and to obtain some more harvest.

Nor is it in a cooperative's interests to keep surplus people. Not only because of the increase in the number of "eaters from the common pot," but also because it would require more annual contributions to the cooperative farm fund of 700 rubles—the tax on each person—which goes to pay for the collective's labor resources and social expenditures.

Six family farmsteads are also being organized here for fattening up livestock. The cooperative farm will now be able to sell meat on its own, and it has been decided to use the by-products which are left after the carcasses are cut up for feeding fur-bearing animals—and this task too has been entrusted to a small cooperative.

To put it more briefly, the Krutishinskiy people have the possibilities for showing a healthy spirit of enterprise. Nor are they lacking in industriousness. Matters are gradually being corrected on this farm. But this is far from signifying that there are no problems here. The farm has just barely begun to stand on its own two feet. There is still an acute sense of an insufficient amount of economic know-how among the workers and even among the specialists. Loafers and spongers have not suddenly disappeared of their own accord; they have also

become cooperative members because, of course, they would not exclude themselves. And now those who are unaware of things are being taught not merely by the word, but also by the ruble.

The grinding out of characters proceeds in a complex manner, and there is a great deal of work to be done in evolving a style of production interrelationships. The leading officials of the oblast and rayon have realistically evaluated the new situation. But V. Mironenko, the chairman of the cooperative council, made the following straightforward request: "If you're going to write something about the Krutishinskiy, please refrain from any kind of praise. I'm afraid that people might start flocking here from all over the country to learn from our experience. And there is no reason for us here to hurry. We ourselves still have a lot of work to do by way of practical experience. We mustn't count our chickens before they're hatched."

N.V. Krasnoshchekov, first deputy chairman of the presidium of VASKhNIL's Siberian Division, comments as follows:

During the past year and a half more than 800 KIT's [intensive-labor collectives] have been formed on the farms of Western and Eastern Siberia. Approximately a million hectares of arable land have been transferred to them for leasing. High production results were already obtained during the very first year of operation. The farms have witnessed a significant reduction in material outlays, the system of administration has been simplified, and personnel have been laid off but then made available for the social-everyday-service sphere. The KIT's have imbued people with the aspiration to labor in the public fields as if they were their own. And they have cleared the track of the usual administrative methods of management in order to make way for self-management by the labor collective. Farms are becoming essentially unions of cooperatives, inextricably linked with democracy. And democracy is a barrier blocking the path of arbitrary methods of administration. The practical experience of life demanded that we proceed further.

It is precisely in their democratic essence that cooperatives are fundamentally different from primary contract-type collectives. Here for the first time the producers of agricultural items themselves have the right to distribute the added value created in the field or on the farmstead by their own hands. And throughout the entire system of agroindustrial production the cost-accounting levers of management, along with the material prosperity of all APK employees, rely, as on a foundation, on the results of the activities of the initial labor collectives.

Practical experience in developing the models of the first few cooperative farms and the initial period of working in the new style have convinced us that the greatest effect has been achieved where the following three principles are observed: first of all, cooperation among individual employees of the primary group engaged in turning out

the end product; second, integrating such groups within the framework of an enterprise; third, multi-faceted cooperation with regard to resources—intensive technology and equipment, coordination of people's social and economic interests.

Such principles also constituted the bases of forming the cooperative in the Karymskiy Rayon, Chita Oblast (which TRUD discussed in the correspondent's report entitled "The Trans-Baykal Variant," published on 20 March of this year), as well as that on the present-day Krutishinskiy Cooperative Farm. According to our computations, this farm, which was lagging until recently, should achieve a tangible growth of indicators even in its initial stage of mastering the new production organization. It is planned by 1990 to harvest at least 10,000 tons of grain, to obtain 38,400 tons of milk, raise 3,650 head of cattle, significantly reduce the production cost of agricultural items, and, as a result, achieve almost 1.5 million rubles of profit.

It is noteworthy that many of VASKhNIL's positions and developments which have already been implemented have echoed the articles of the Draft Law on Cooperation. And this is not by chance; it has been dictated by the practical experience of life itself.

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FORESTRY, TIMBER

Push the Development of a Forestry Complex

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[Article by A. A. Yemelyanov, Krasnoyarsk Kray: "Speeding the Development of the Forestry Complex"]

[Text] About 37 percent of Siberia's and 20 percent of the country's timber resources are concentrated in the forests of Krasnoyarsk Kray. Total wood reserves here have been determined to be 13.8 billion cubic meters. The distribution of forests within the kray in accordance with the condition and development of the kray's economy and transportation network will enable it to draw 2.5 billion cubic meters into forest exploitation in the near future. Estimated felling in the kray equals 80.09 million cubic meters, of which 3.86 million cubic meters belong to Group I forests (including coniferous—2.14), 0.60 million cubic meters—to Group II (coniferous—0.25) and 75.64 million cubic meters—to Group III (coniferous—52.04).

Technical-economic indexes of the kray's forestry complex have improved in recent years for a number of indexes such as the use of capacities and the production of round timber materials, wood fiber slabs, lumber and several other items. Nevertheless, the kray's timber

industry is lagging behind average national indexes in the output of the most important products per 1,000 cubic meters of wood removed: as regards splint-slab panels—by a factor of 4, as regards paper—by a factor of over 3, and as regards cardboard and DVP [Wood fiber slabs]—by a factor of almost one-half. In connection with this the effectiveness of utilizing wood is low. Kray output of commercial products per cubic meter removed equals 61.2 rubles, i.e. it is practically half the output of the oblast as a whole (113 rubles).

The lags in forestry production are especially noticeable. The average area of the forestry management organization in the kray is greater by a factor of 17 than the size of the organization that is characteristic for the European part of the USSR. At the same time forestry is allocated 0.2 rubles per hectare, which is significantly lower than the indexes for Kemerovo, Gorky, Tyumen, Sverdlovsk and a number of other oblasts as well as than the average republic indexes. As a result, the material base of forestry enterprises is extremely weak.

Under the conditions of unique timber, energy and water resources, the development of large complexes with the preeminent use of felled timber for the pulp and paper industry as well as with the expansion of forestry exports should be considered the main direction in the development of forestry industry production in Krasnoyarsk Kray. The general scheme of development of the kray's forestry industry plans the building of Kodinskiy, Bogushanskiy, Yeniseyskiy and Osinovskiy lumber centers in the near future, which will enable us to produce an additional 3 million tons of pulp, 430,000 tons of yeast, 8 million cubic meters of lumber, 1.3 million cubic meters of splint-slab and 140.0 million cubic meters of wood fiber slabs, and 450,000 cubic meters of plywood.

However, until now the kray's timber processing branch has developed in a very one-sided way with the preeminent building of lumber enterprises which as we know produce up to 35 percent wood waste products. The average annual removal of timber in the kray (21.5-22.0 million cubic meters) corresponds approximately to the estimated consumption of round timber for feeding existing capacities of lumber-wood processing enterprises. Meanwhile each year the export from the kray of over 4 million cubic meters of round timber is planned. Thus, the annual shortage of round timber equals 3.5-4.0 million cubic meters. This puts the branch into a difficult situation with regard to supplying the users of timber within the kray as well as beyond it. In addition to this for decades now millions of cubic meters of wood waste products have not been utilized and standard yearly mass felling is carried out, resulting in the fact that the raw materials bases of timber procurement organizations are upset, the distance for moving timber to processing points and for shipping increases and capacities are knocked out prematurely.

The situation involving the building of pulp and hydrolysis-fermentation plants within the Yeniseyskiy and Kodinskiy lumber industry centers (Lower Angara

Complex) has remained practically unchanged during recent years. Specialists have calculated that the delay in the construction of the Yeniseyskiy TsBK [Pulp and paper combine], for example, results in annual losses of 40-50 million rubles to the national economy. Let us examine the problem of building this combine more closely.

Calculations made by planning organizations confirmed the high level of profitability of the first stage of the Yeniseyskiy TsBK (24.6 percent of the production costs). Of the total need for wood raw materials by the first stage of the combine (1.4 million cubic meters annually) 0.9 million cubic meters will be covered by means of the wood waste products available in this region (and not now utilized according to their stated purpose) from the lumber-wood processing industry. The selection of the site for the combine was confirmed by the Krasnoyarsk Kray ispolkom and USSR Minlesbumprom [Ministry of the Pulp and Paper Industry] in September of 1984. A railroad was built up to the site of the industrial network. It should be added that as long ago as 1980 a decision on measures for further overall development of productive forces in Krasnoyarsk Kray in 1981-1990 on a level with the Yeniseyskiy TsBK foresaw the construction of a hydrolysis-fermentation plant that would use waste products from wood processing and the large raw materials base of the Lower Angara Complex.

Despite the real favorable prerequisites for the development of a combine in terms not only of raw materials but also of fuel, energy and water resources, as well as with a consideration of the shortage of commercial pulp in the country (with the introduction of new capacities for the production of pulp Ust-Ilimskiy and Bratskiy LPK's [Lumber industry complexes] will be able only to compensate for the capacities that are removed from operation in the Priozerskiy and Baykalskiy TsBK's), the Yeniseyskiy TsBK still was not included on the list of structures for the 12th Five-Year Plan. It should be noted that there are objective reasons for this delay—difficulties in allocating capital resources, problems with the development of a building-industry base and a shortage of labor.

The restructuring that is now being implemented is persistently focusing our economy not on quantitative growth but on production effectiveness. Consequently, we must use less manpower, less energy, fewer raw materials and less fixed production capital per unit of final product. This applies fully to the situation existing in the forestry enterprises of the Lower Angara, where a great deal still must be done to achieve overall utilization of procured wood, where a use cannot be found for hundreds of thousands of cubic meters of wood waste

products which are then discarded and where the building of pulp and paper and hydrolysis plants and of shops for the production of splint slab sheets and consumer goods is put off from one year to the next. This is why, in our opinion, in the time remaining until the end of the current five-year plan it is essential to develop and confirm planning-estimates documentation for the building of the Yeniseyskiy TsBK and to increase work to create a building-industry base and housing for builders.

At the same time another lumber industry center, Kodinskiy, located on the site of the Boguchanskiy GES [Hydroelectric power station] which is under construction, must be developed within the Lower Angara Complex. The Kodinskiy Center will implement annual production of 1 million cubic meters of lumber, 500,000 tons of pulp, 190,000 tons of feed yeast as well as the production of plywood and wood fiber slabs with an annual volume of timber procurement of 6.4 million cubic meters.

The development of the Kodinskiy Lumber Industry Center is being accelerated by life itself. Here is why. The builders of Bratskgesstroy [Bratsk state hydroelectric power station construction organization] of USSR Minenergo [Ministry of Energy] have prepared the spanning of the Angara at the point of GES construction with the startup of operations of the first hydroagregate in 1990. By the end of the present five-year plan timber felling will be completed in the zone of the Boguchanskaya GES reservoir, and then in the future the secured timber raw materials base of the Central Angara basin will procure 3.5-4 million cubic meters of wood annually. Consequently, the building of the Kodinskiy Center, which will utilize this wood and process it on a local basis, is becoming an urgent matter. Another real prerequisite for the creation of the Kodinskiy Lumber Industry Center is the freeing in the future of the collective of builders of the Boguchanskaya GES and the building here of a railroad line for transporting lumber.

Serious violations regarding the integrated nature of the Angara economy that occurred during the process of economic assimilation of the Angara region has resulted in the inefficient utilization of timber resources. For 1988 USSR Gosplan has assigned the Committee for the Study of Productive Forces the task of preparing a special-purpose overall program for the development of the Lower Angara Territorial Production Complex until the year 2005. The implementation of this program will play an important role in the intensification of the overall utilization of Angara's rich resources.

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FUELS

Interview With Minister on Branch Plans

18220077a Moscow GAZOVAYA

PROMYSHLENNOST in Russian No 4, Apr 88 pp 2-4

[Unattributed interview with USSR Minister of the Gas Industry Viktor Stepanovich Chernomyrdin, under "Decisions of the 27th Party Congress in Action: On the Brink of Social and Economic Renewal—An Actual Interview"]

[Text] [Question] Viktor Stepanovich, you are one of the country's youngest ministers. We congratulate you on your 50th birthday, and wish you good health and success in your important post.

We all know that youth is characterized by great vigilance and the ability to see flaws and hidden reserves, for example those in the gas industry, clearly. What can you tell us about them?

[Answer] No matter how highly our achievements have been rated, they far from completely correspond to the sector's possible potentialities. We could supply the national stocks with more gas by resolutely eliminating our existing faults and derelictions, and by putting as many as possible of our unused intra-economy reserves into circulation.

Our first order of business is to bring each of our enterprises into smooth operation, to help it successfully fulfill the plan for all assigned indicators.

Another major reserve consists in making maximum use of our developed productive potential, the entirety of which is presently at the disposal of the gas industry. This means increasing the utilization rate of the development well stock in our gas fields and underground gas storage facilities, improving the hydraulic efficiency of our main gas pipelines and the efficiency of the gas compressor units installed at our gas compressor stations, improving the quality of gas preparation at the fields in Turkmenistan, Uzbekistan and the Ukraine, and intensifying the regime for economizing all types of resources.

The most important means for intensifying production is by promptly reequipping the sector. And we are experiencing serious difficulties in this matter. Year in and year out USSR Minkhimmash [Ministry of Chemical and Petroleum Machine Building], USSR Mintyazmash [Ministry of Heavy and Transport Machine Building], USSR Minoborprom [Ministry of the Defense Industry MOR (Naval Defense Region)] and USSR Minchermet [Ministry of Ferrous Metallurgy] continue sending short deliveries of basic equipment, which causes projects to be turned over for operation behind schedule. Moreover, much of the equipment they deliver is of poor quality because of design omissions and production defects. We could cite just the Christmas trees, casing

heads, drilling rigs and tools, casing pipe and drill pipe and gas compressor units as examples. We hope that these machine-building ministries will turn about-face regarding our sector's needs and will, in the future, provide us with equipment which meets present-day requirements in its technical and economic indicators as well as quality.

The fruits of our sector's scientific work are still meager. We still have a great many urgent scientific and technical problems whose solution could substantially improve production efficiency. Specifically, they include the problems of further automating gas recovery and transport facilities, raising the condensate yield coefficient, developing oil fringes, reducing the construction cycle for wells and improving the engineering and production procedures associated with repairing equipment and main gas pipelines.

We anticipate good results from introducing the principles of full economic accountability [polnyy khozyaystvennyy raschet] in our associations and enterprises. The experience they have gained so far under the new system of economic management already attests to the fact that the introduction of economic control methods has raised the level of motivation of our labor collectives in meeting their quotas as well as in cutting production costs.

Bearing in mind that cost accounting is performed by people, we are striving to put the most steadfast emphasis on the problems of strengthening the social orientation of our economic management plans. Indeed, the creation of suitable working and living conditions for the workers in our sector helps to stabilize our collectives and increase their labor output. In the final analysis, the strategic course set by the party for accelerating the country's social and economic development and the CPSU's programmatic goal, as expressed in Lenin's capacious words, i.e., the attainment of "the complete well-being and free and all-round development of all members of society", obliges us to bring all this to completion.

[Question] The collectives of all the sector's enterprises have undertaken a cardinal reform and are learning the new economic system, not in word, but in deed.

What advice would you give to the directors who are having more difficulty grasping the science of cost-accounting?

[Answer] In order to further improve the economic mechanism within the new administrative structure, we must efficiently adjust the mutual relations between production associations and the structural units making them up. The following problems must be solved everywhere: all structural units must be granted as many rights as possible, including conceding to them the right to raise wages and to form incentive funds in accordance with in-house indicators or to limit their rights when allocating wage and incentive funds in accordance with

the association's indicators. Here, the determining criterion in every instance must be the final result, which means the greatest degree of economic effectiveness. We are carrying out this effort with the associations while simultaneously changing over to the new administrative structure.

One of the most important problems the sector's economic services are trying to solve is intensifying cost-accounting within the industry and introducing it by all possible means within the lower-level links. Only thus will we motivate specific brigades, sections and shops to achieve high final results and realize the primary goal of restructuring the economic mechanism, which is to fully activate the human factor. We are striving to have our enterprises closely coordinate the work indices of their subordinate structural units with the indicators of our works, shops and other lower-level subdivisions and to work up regulations regarding intraindustrial cost-accounting based on the principles of full economic accountability and self-financing.

With the broad independence granted to associations and enterprises, their directors must take a responsible and economically substantiated approach to business matters. This stems from the fact that our associations' and enterprises' practicable basic work indicators are planned by the year. The quarterly, and to an even greater degree the monthly distribution of indicators is now their prerogative. Under these conditions, in order to ensure that they work smoothly and successfully meet their quarterly and monthly targets we need to see that plans for output sales, production costs, profits and other economic indicators are distributed efficiently, and are coordinated with corresponding gas recovery, processing and transport indicators as well as drilling and other indicators.

The introduction of the calendar sequence of payments has sharply increased the responsibility of directors to ensure a steady financial position for the enterprises entrusted to them and to promptly bring in the monies used to pay wages. Enterprises must very operate very efficiently on their circulating capital, see that it is safeguarded, fulfill output delivery plans, intensify accounting discipline and allow no assets to be diverted. The final objective of this entire effort is to ensure that wages and accounts with suppliers and the state budget are paid promptly.

Now, as never before, everything is in the hands of the labor collectives themselves. They need to immediately apply all the levers which will bring them to a state of financial health and organize profitable operation on the part of all their enterprises. They need to reduce non-productive outlays by all possible means and eliminate surplus commodity stocks. In this regard, the initiative of the Orenburgazprom Association collective deserves to be disseminated within the sector. They held two trade fairs in Orenburg and disposed of R742,000 in

surplus commodity stocks. The association devised measures to greatly reduce equipment and materials stocks. This type of useful experience should be painstakingly taught to all associations and enterprises and should be put to use everywhere.

[Question] Viktor Stepanovich, what can we expect with regard to developing new resources after the end of the current five-year plan period?

[Answer] In 1988 the gas industry intends to ensure high growth rates primarily by accelerating the development of the Yamburg Field, raising gas and condensate recovery levels at the Astrakhan and Karachaganak fields, and by increasing the amount of gas and condensate processed with the concomitant production of sulfur and other valuable products (by putting capacities at the Astrakhan and Orenburg gas refineries into operation), as well as by continuing to develop the Sovetabad and Shurtanskoye fields.

Along with our current tasks, we are directing our most steadfast attention to solving long-term problems. Of these, the main problem is to prepare and develop the Yamal Peninsula fields, where the primary raw materials base for increasing gas recovery levels during the 13th Five-Year Plan period and in the distant future is concentrated. We plan to start putting the Bovanenkovskoye Field into operation in 1991. This will be an extremely complex job, considering the severe natural and climatic conditions and the total absence of a production and social infrastructure and manpower resources.

The universal distribution of rocks which have been frozen for years at temperatures as low as 10 degrees C and of concentrated underground brines makes it considerably more difficult to construct these projects. The reduced oxygen level in the air makes this region extremely inhospitable to permanent residence. All these factors have necessitated extraordinary technical and organizational measures when developing these fields. Field facilities and gas pipelines will be serviced here exclusively by the expeditionary shift method, which we consider the optimal method in this situation.

The main thrust of our trans-polar projects is our increased emphasis on the ecology. Our present policy towards this region is being implemented taking into account the best experience we have gained while developing our northern fields.

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Deputy Minister on Work of Tyumengazprom
18220077b Moscow GAZOVAYA
PROMYSHLENNOST in Russian No 4, Apr 88 pp 5-6

[Article by USSR Deputy Minister of the Gas Industry Ye. N. Yakovlev: "Tyumengazprom: At a Critical Turning Point"]

[Text] For Tyumengazprom [Tyumen Gas Industry Association], this sector's largest industrial formation, last year was a period of solid testing of the first steps of working under the new system of economic operation. The mechanism of the introduced reform, as attested to by the results of the second year of the five-year plan period, has had a positive effect on the implementation of the association's social and economic program.

The association achieved a 10 percent growth rate and labor productivity increased by 7.5 percent. Solutions were found to problems of setting up and putting non-industrial projects into operation: 360,000 square m of living space, kindergarten places for 3,510 children and school facilities for 5,296 pupils were made available, which exceeds planning indicators respectively by 109.2, 105.5 and 108.3 percent. These indicators are still far from those called for in the five-year plans for improving the social and domestic living conditions for gas industry workers and their families, but a major stride has been taken: 1,230 railcar living quarters have been eliminated and 4,300 persons have been relocated from unsuitable living quarters.

Not meaning to belittle the contribution of the construction subcontractors, I want to mention the significant contribution made by our in-house construction enterprises, which put up 14,000 square m of housing, all above the plan.

I could have cited many examples of successful working, had we not been concerned by chronic flaws in the expansion of the association, the overcoming of which, in view of the restructuring, acquires overriding significance.

Thus, despite a number of positive gains, the drilling plan was not fulfilled. We were under the impression that much had been done to improve penetration efficiency. At the same time, 100 more wells and 63,000 more m of footage were drilled and commercial speed was increased by 15 percent over 1986; however, we were still unable to eliminate poorly organized drilling operations and non-productive losses of drilling time. The efforts of the association and Tyumenburgaz to work out a clear-cut strategy for controlling drilling operations are still short of complying with the tasks associated with economic reform. Only unswerving emphasis on improving the organization of drilling operations and redoubled energy on the part of the primary and auxiliary drilling affairs services can help the association catch up. We are failing to solve the major

national economic problem of oil recovery. Urengoygazdobysha is doing a poor job of developing its oil formations and has failed to fulfill the 1987 plan for raw materials withdrawal. After having a look at the state of affairs, the association has approved specific measures whose implementation will wipe out the lag in the first few months of the year.

Notwithstanding the overall improvement in the work of our gas transport systems, the problems of the operational reliability of the GTN-16 and GTN-25 gas compressors remain acute. In 1987 alone, 119 emergency shutdowns stemming from breakdowns of assemblies and parts on these units caused a total of 100,000 hours in forced downtime. Poor manufacturing quality and the large number of alterations and revisions related to conditions at the compressor stations caused delays in putting the Yamburg-Yelets II system's compressor stations into operation. A similar situation is developing at the Yamburg-Western USSR Border gas pipeline compressor stations.

The situation has also worsened with the GPA-Ts-16 units, and there is a constant shortage of from 10 to 15 motors. The Kazan Motor-Building Production Association already has dozens of overhauled motors on its hands.

The technical repair service for the basic and auxiliary equipment used at gas transport facilities remains in unsatisfactory condition. The Soyuzgazenergomont [All-Union Gas Power Equipment Repair] Association has failed to meet its contractual obligations for repair deadlines and quality. On the average, it has taken 2- to 2.5-fold more time to complete repairs than called for in the established norm.

Capital construction needs to be discussed on its own.

During 1987 Tyumengazprom put R4.7 billion in fixed capital to use, appropriated R4.5 billion in capital investments and put 2,890 km of gas pipeline, 21 compressor stations, 2 UKPG [complex gas treatment plants] and 280 km of highways into operation. However, the plan for putting fixed capital to use was not fulfilled: 150 km of main gas pipeline, 8 compressor stations and DKS's [squeeze compressor stations] were not put on line.

Urengoygazdobysha, Tyumentransgaz and Nadymgazprom bear primary responsibility for this.

This year has presented the association's gas workers with new stepped-up tasks. They need to increase gas recovery and pumping levels by no less than 43 billion cubic m. This requires that last year's lag in putting field facilities and gas transport projects into operation be eliminated, that over R4.4 billion in capital investments be assimilated and that 360 wells, 2 complex gas treatment plants and 18 compressor stations be put into operation.

Tyumengaz embarked on this program after substantial structural and staff changes and after changing over to a new wage system.

In order to make the changeover to full cost-accounting, the needed quotas were brought to the production associations, and contracts were concluded.

Today, the most crucial problem lies in bringing the requirements in the reform of the economic mechanism into coincidence with fulfilling the 12th Five-Year Plan quotas and in providing the enterprises with independence in compliance with the Law of the State Association.

We perceive the main issue to be the fact that in order for genuine cost-accounting to be introduced, it must be brought to each brigade and each work-place, but there are still a great many unresolved problems here.

Suffice it to say that even in our in-house construction, where the brigade method has been used for a relatively long time, only 25 percent of the brigades work under cost-accounting.

The problem of bringing gas recovery and sales plans into balance needs to be solved as well. An analysis of the progress of fulfillment of the 1987 gas recovery plan showed that for the first time in recent years the possible volume of third quarter gas deliveries was underfulfilled by 2.5 billion cubic m. This alarming symptom puts us on guard and points to the flaws in planned gas distribution which can negatively influence the economic situation of our enterprises in their operation under full cost-accounting. In evaluating the orientation towards significantly increasing actual gas recovery volumes through the years up to the end of the five-year plan period against the plan figures, we should expect the gas recovery and gas transport enterprises and associations to be put in the position of failing to fulfill basic economic indicators.

In light of this, we feel it necessary that the country's gas consumption be analyzed in the near future, taking into account the effect of the new management mechanism (at the existing prices for raw hydrocarbon materials), and only then will be able to decide whether to increase gas recovery levels.

As for the formation of the economic system which has become established under cost-accounting: where there is no strict and well-founded system for setting economic indicators under the five-year plan now in effect, the most difficult problems are related to maintaining planned production cost and profit levels.

We know how to reduce outlays and increase profitability—by consistently making up for underallocations of funds to the association by disposing of reserves from savings in capital investments and material and energy

resources, by using the most recent scientific and technical developments and labor-saving production methods, by increasing labor productivity and by many other means.

These methods are exclusively labor-related, but there are no alternatives, and this is understood on ever-deeper levels by the gas workers, for whom the new economic thinking is making the transit from an abstract category to the plane of concrete and quotidian tasks. However, the rigidity of these tasks most often depends on determined decisions which have nothing in common with management economics: fines levied for failure to put projects into operation, fines for missing documentation, fines for failing to turn over equipment for installation....

I feel that there is a need to provide detailed substantiation of the conditions required for putting projects into operation, particularly in those regions with developing industries.

Only time will tell how the problems disturbing the gas workers of Western Siberia will be solved, but it is already clear to all Tyumengazprom employees that in 1988 they will be able to recover no less than 10 billion cubic m of gas.

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Deputy Minister on Gas Industry Construction Tasks

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PROMYSHLENNOST in Russian No 4, Apr 88 pp 7-8

[Article by First Deputy Minister of Construction of Petroleum and Gas Industry Enterprises G. I. Shmal: "A Time of Mutual Exactingness"]

[Text] Among the complex problems our industry is solving during the 12th Five-Year Plan period, the program for accelerating the expansion of the gas industry occupies a special place. And the point is not even that more than half of the jobs we complete on USSR Mingazprom [Ministry of the Gas Industry] projects arouse a tremendous amount of interest on the part of professional builders as extremely pivotal, capacious and prestigious fuel-power engineering construction projects. It is a question of our being profoundly aware of the economic and social significance of replacing other types of fuel with gas, and this is why both prior to now as well as hereafter, this mighty component of the fuel complex—the gas industry—will always be able to rest on the strong shoulders of its partners, with whom it has labored as part of a unified production collective.

The results for last year and for two years of the five-year plan period show that the gas industry's primary target problems have been solved: 139 billion cubic m of gas recovery capacities, 17,500 km of main gas pipelines and a great many branch lines made of petroleum pipe grades were put into operation during the above time periods. A large-scale program aimed at expanding the social infrastructure has been carried out. A little less than R9 billion in construction and installation operations was assimilated in the last two years.

And in spite of that the combined work has failed to provide complete satisfaction. Why? Well, in the first place, we could have done much better work. I refer here first of all to the building up of gas recovery capacities at the Yamburg and Sovetabad fields as well as a number of compressor stations. Second, I refer to the fact that as we were erecting these facilities, we should have derived a substantial economic effect as we were building them: the least outlays of funds, resources, physical labor and nervous tension.

An analysis of these two years' work, and our hesitation over which methods to use to achieve our objectives brings us to the following conclusions: not claiming to know everything about it or to be beyond question, I would formulate the problem of the mutual relations of the gas industry workers and the construction workers by saying that the traditions of working together have been lost to some degree.

Where we need to support one another and offer a shoulder to lean on, we often trip each other up. This refers to our joint work building compressor stations, UKPG's [complex gas treatment plants] and gas pipeline sections. Only when the matter involves ministry participation is it resolved. But why must problems be taken to this level, why can't they be solved like they are supposed to be—in place?

In compliance with the Law of the State Enterprise (Association) and our policy of cost-accounting independence for labor collectives, problems in mutual relations should, in my opinion, be worked out in more clear-cut fashion.

Today, when we are turning away from the policy of managing predominantly by administrative command and are adopting economic methods, need we deny the necessity for strict supervision and efficiently-coordinated actions in matters related to state orders? I am convinced of the need to find an efficient combination of economic and organizational methods.

I should note that if we display poor mutual friendship at the present, highly difficult stage of getting the sectors used to cost-accounting and putting cardinal economic transformations into effect, then we share the blame and the misfortune. We need to restructure jointly and revive traditions which have proved themselves in practice and

which rescued us more than once during difficult working conditions in Urengoy, and carry them over into our development of the Yamburg and Yamal fields.

This is still extremely important because we are losing our prior customary orientation on putting new capacities into operation, and are slackening in our struggle against approximating deadlines for turning projects over for operation. Which is a long way to go for examples: it took two months to prepare the Urengoy Field's Complex Gas Treatment Plant-15 for turnover, and we have up to now been practicing witchcraft around it to get it started. At some time prior to now we really could have allowed ourselves this sort of liberty. Meanwhile, the time for mutual exactingness has come into its own.

Under the present transition to cost-accounting, I am profoundly convinced that the time factor is the most direct economic category, and the most crucial lever for achieving an economic effect. It is now extremely acutely necessary to feel, as we approach the mid-point of the five-year plan period and the time when we set about implementing the primary part of its program.

We will complete laying the Yamburg-Tula I gas pipeline this April and Yamburg-Tula II prior to the end of the year. The section of the Yamburg-Western USSR Border pipeline from Yelets to the border, and the Gazli-Chimkent pipeline should be put into operation in July. Construction work needs to be developed on a broad front on the Tyumen Oblast Northern Regions (SRT0), i.e., the Omsk-Novosibirsk section, which is 2,350 km long, and the double-line SRT0-Urals section. The program for constructing gas pipelines to the Surgutskaya, Permskaya, Zaporozhskaya and Talimardzhanskaya GRES's [State Regional Electric Power Station] and branch lines to 35 cities and population centers needs to be completed in the third quarter.

The notion of carrying out the five-year plan's stepped up assignments is not always welcomed by everyone with a great deal of responsibility. It would seem that the coordinating council of the two party committees from USSR Minneftegazstroy and USSR Mingazprom should serve as an example of highly effective work, however I, as the council chairman, cannot talk about this. Gas industry management showed up for only four of the 15 meetings. Usually, the USSR Mingazprom employees who attend the council's meetings are highly skilled, but unfortunately, they have no authority to make decisions or, what's more to compel the staff, its party members or all the employees to carry out the council's suggestions.

In making an evaluation based on the present technical level of the decisions we have taken, it must be said that against the background of the high degree of industrialization of construction of field facilities, in Yamburg for instance, many projects are still not keeping pace with the requirements of scientific and technical progress.

What can one say at the sight of a scaffold whose mass would be about right for a train consist, but which supports only a pair of pipes and three or four cable spacers?

I attribute a great many things related to insufficiently improved exactingness to the fault of the subcontractor:

A great deal of what looks like the subcontractor's insufficient exactingness can be laid at my door: I was unable to improve the planning of the projects or to reduce their unit metal content. It is difficult and at times impossible to oppose the invincible traditions of VNIPgazdobycha [All-Union Scientific-Research and Planning Institute for Gas Production], which intrepidly plans brickwork or poured in-situ concrete work. And this when the situation calls for modular construction, and it would be more practical to build the structural units in a plant setting and thus cut down on construction labor costs.

The new economic mechanism needs resourcefulness and competence and we oppose its turtle's pace, poor

quality and delayed design plans and specifications, late equipment deliveries and its uninviting system for providing the construction workers with incentive.

There is no doubt that the future of production construction transcends putting turnkey projects into operation, but we need to approach this future, and do it steadily while at the same time implementing a supportive social policy of outstripping, with regard to production, development of the infrastructure, particularly in Western Siberia.

The tasks facing our industry's organizations this year for putting construction projects into operation are crucial, complex and many-sided. Carrying them out successfully depends entirely on the well-organized, initiative-filled and conscientious work of the labor collectives and administrative services at all stages of the investment process.

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12659

EDUCATION

Decree to Raise Qualifications of Managers, Specialists Published

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[Decree of the CPSU Central Committee and the USSR Council of Ministers "On Restructuring the System for Improving the Skills and Retraining of Management Employees and Specialists in the National Economy"; footnote states that supplements cited are not included]

[Text]

DECREE OF THE CPSU CENTRAL COMMITTEE AND USSR COUNCIL OF MINISTERS

Article 27. On restructuring the system for improving the skills and retraining of management employees and specialists in the national economy.

The CPSU Central Committee and the USSR Council of Ministers note that realization of the policy of restructuring and acceleration of the country's social and economic development elaborated by the 27th Congress of the party and the January and June (1987) Plenums of the CPSU Central Committee requires of management employees and specialists in the national economy a high level of competence, creative initiative, contemporary economic thinking, and mastery of the new methods of economic operation and skills in working under the conditions of full cost accounting and democratization of all spheres of public life.

Continuous worker training is becoming one of the most important factors in ensuring the efficient operation of associations, enterprises, organizations, institutions, and each labor collective in the course of the scientific and technical revolution and the fundamental restructuring of economic management.

At the same time, the condition of this work in the country and the existing network of educational institutions (subunits) in the system for improving the skills and retraining of management employees and specialists are not meeting the increasing requirements of the national economy, in either the scope or quality of instruction, for bringing workers' vocational knowledge up to date expeditiously.

Many ministries, departments, associations, enterprises, organizations and institutions have slackened their attention to the problems of improving workers' skills and retraining, organizing systematic economic instruction for personnel, and organizing their study of advanced equipment and technology and advanced production experience.

The opportunities of higher and secondary special schools, as well as academic and sectorial scientific research institutes and key technology design bureaus, are not being utilized to the full extent in organizing continuous training. The USSR Ministry of Higher and Secondary Specialized Education's methodical supervision of the system for improving the skills and retraining of management employees and specialists in the national economy is poor.

Fundamental restructuring of the system for improving the skills and retraining of personnel in the national economy is required in order to carry out the objectives of accelerating the country's social and economic development, radically reforming management of the economy, and putting a modern personnel policy into effect.

The CPSU Central Committee and the USSR Council of Ministers decree that:

1. The central committees of the Communist Parties of union republics; the party committees for krais, oblasts, okrugs, cities and rayons; the USSR Ministry of Higher and Secondary Specialized Education; ministries and departments of the USSR; and the Councils of Ministers of union republics are to take specific steps to establish a unified state system for improving the skills and retraining of management employees and specialists on a new basis and to shift from periodic personnel training to continuous training in the 12th Five-Year Plan. To organize a mobile and flexible network of educational institutions and subunits for improving skills and retraining, and to develop different forms for continuous production and economic training at enterprises and in organizations firsthand. To take full advantage of the potential of higher and secondary special education institutions.

The managers of ministries and departments, associations, enterprises, organizations, institutions, sovkhozes and kolkhozes are to be made personally responsible for organizing continuous improvement in employees' skills, maintaining their high vocational level, and preparing them in a timely manner for new work functions in both the production and nonproduction areas.

Continuously improving skill is to be considered the direct official duty of each manager and specialist.

2. The managers of ministries and departments, enterprises, associations, organizations and institutions are advised to develop, jointly with party and trade union organizations, an effective system of material and moral incentive to continuously improve the skill and vocational workmanship of personnel and to increase workers' personal motivation and personal responsibility for continuously reinforcing their knowledge and bringing it up to date. Official transfers for managers and specialists and determination of the appropriate wages for them should be attendant upon the results of training and the practical use of knowledge that has been acquired.

Educational institutions (subunits) in the system for improving personnel skills and retraining are to make a comprehensive evaluation of students' vocational knowledge and businesslike qualities in accordance with the results of their instruction and to prepare recommendations for the further utilization of workers on this basis. The appropriate information is to be transmitted to the managers of ministries, departments, enterprises, associations, organizations and institutions which have sent managers and specialists for training.

The growth of professional competence is to be considered a major criterion in the certification of employees. Information on workers' completion of instruction in educational institutions (subunits) in the system for improving skills and retraining is to be reflected in a qualifications certificate of standard pattern as the basic document attesting to their professional level. The USSR Ministry of Higher and Secondary Specialized Education, jointly with the USSR State Committee for Labor and Social Problems, the AUCCTU, and the USSR Ministry of Justice, is to draft the form for the certificate cited and the procedure for its issuance and adopt it within a 3-month period.

In conformity with the Law of the USSR on the State Enterprise (Association), labor collectives are to demonstrate exactingness and continuing concern with respect to the steady increase in persons' vocational skill and to take workers' level of preparedness into account more fully in elections for supervisory positions. An atmosphere of profound respect and authority is to be created everywhere for the most skilled workers and the prestige of vocational training, the active acquisition of new knowledge and skills, and the mastery of advanced production experience are to be maintained. Workers' accounts of their utilization of knowledge and skills acquired in improving work quality are to be heard in labor collectives.

3. The following basic types of instruction are to be established in the system for improving the skills and retraining of personnel and ensuring their continuity:

- systematic independent training of a worker (self-education) in accordance with an individual plan approved by his immediate supervisor and carried out under his control;

- participation at least once a month in continuing seminars on production and economic problems both at the place of work and at other enterprises and in organizations;

- short-term instruction (when necessary, but no less frequently than once a year) at the work place or in educational institutions (subunits) of the system for improving the skills and retraining of personnel;

- periodic long-term instruction (at least once every 5 years) in educational institutions (subunits) of the system for improving the skills and retraining of personnel;

- practical experience at advanced enterprises, in leading organizations and in higher educational institutions, including abroad;

- special-purpose graduate study or study toward a doctorate in subjects of interest to a given organization or enterprise; and

- retraining—the acquisition of a new specialty in academies and institutes for improving skills and in the faculties of VUZes and the departments of secondary specialized educational institutions.

Recommendations are to be approved for the exemplary assignment of different categories of management employees (their reserve) and specialists by types of educational institutions in accordance with Supplement No 1, as well as the periods of time and forms of training in accordance with Supplement No 2.

4. The USSR Ministry of Higher and Secondary Specialized Education, ministries and departments of the USSR, the Councils of Ministers of union republics, and managers and party organizations of educational institutions (subunits) in the system for improving the skills and retraining of personnel are to restructure the training process and bring its content into conformity with the requirements of the party's 27th Congress and the January and June (1987) Plenums of the CPSU Central Committee. A differentiated approach is to be provided in the training of management employees and specialists, taking into account the actual requirements and the theoretical and practical preparation of each worker. The practice of individualized training for employees, including training based on specific assignments approved by the managers of ministries and departments, enterprises, associations, organizations and institutions, is to be developed.

Students' active proficiency in the latest methods of economic operation and their thorough study of problems related to restructuring management of the national economy, the shifting of sectors to the conditions of cost accounting and self-financing, and implementation of the Law of the USSR on the State Enterprise (Association) is to be ensured. The skills of management employees in managing a labor collective under the conditions of democratization of all areas of public life are to be cultivated. Preparation in systems analysis, systems engineering, sociology, psychology, law, finance, cooperative activity, foreign economic relations, and other areas that are most important for specialists and managers is to be considerably expanded.

Training in a vocational field is to be focused on the practical mastery by management employees and specialists of the latest achievements in the appropriate

sectors of science and technology, labor organization and procedure, advanced domestic and foreign experience in efficient and full use of natural resources, and economical utilization of labor and material resources. Each specific training will be responsible for the topicality of training plan content.

Active methods of training such as practical games, analysis of specific situations, collective search for reserves, discussions, seminars and schools for exchanging experience, and out-of-town studies at advanced enterprises and in organizations are to be utilized more extensively. The practical orientation of training in the system for improving personnel skills and retraining is to be reinforced by aiming it at and retraining will be responsible for the topicality of training plan content.

Active methods of training such as practical games, analysis of specific situations, collective search for reserves, discussions, seminars and schools for exchanging experience, and out-of-town studies at advanced enterprises and in organizations are to be utilized more extensively. The practical orientation of training in the system for improving personnel skills and retraining is to be reinforced by aiming it at cultivation of students' ability and skills in actively utilizing the knowledge acquired in their work.

The USSR State Committee for Science and Technology, the USSR Ministry of Higher and Secondary Specialized Education, other ministries and departments of the USSR, and the Councils of Ministers of union republics are to basically improve use of the resources of the Exhibition of Achievements of the National Economy of the USSR, as well as similar union, autonomous republic, kray, and oblast exhibitions and the exhibitions of sectors of the national economy, in training management employees and specialists.

All work to improve personnel skills and retraining is to be subordinate to successful fulfillment of the plans for economic and social development of the country and regions, sectors of the national economy, associations, enterprises, kolkhozes and sovkhozes and acceleration of the rate of scientific and technical and social progress.

5. Permanent organs of the USSR Council of Ministers, the USSR Gosagroprom [State Agroindustrial Committee], the USSR Gosstroy, the Councils of Ministers of union republics, the USSR Ministry of Higher and Secondary Specialized Education, and other ministries and departments of the USSR are to put their network in order in the 1988-1989 period based on the certification of educational institutions in the system for improving personnel skills and retraining, combining the sectorial principle in its organization with broad intersectorial and regional cooperation.

A head institution for improving skills and a full-scale network of educational institutions (subunits) for improving personnel skills and retraining are to be established in each sector.

Ministries and departments are to provide organizational and methodical supervision of the continuous training of personnel in the appropriate sectors of the national economy through the head institutions. Reference and computer centers, publishing departments, and other subunits necessary to perform the functions with which they have been charged, especially for the organization of business information, are to be established as part of these institutions.

Intersectorial institutes for improving personnel skills and retraining are to be established on the basis of the faculties for training organizers of industrial production, construction, and planning attached to VUZes in accordance with Supplement No 3.

The proposals of the RSFSR Council of Ministers, the Ukrainian SSR Council of Ministers, the Kazakh SSR Council of Ministers, the Kirghiz SSR Council of Ministers, the Tajik SSR Council of Ministers, the Armenian SSR Council of Ministers, and the Turkmen SSR Council of Ministers on the establishment of intersectorial institutes for improving the skills of management employees and specialists under these Councils of Ministers are approved.

The Councils of Ministers of union republics, the USSR Ministry of Higher and Secondary Specialized Education, and other ministries and departments are to provide for exemplary organization of the training process in the intersectorial institutes for improving skills and in the special faculties and departments attached to VUZes and tekhnikums, orienting their activity toward personnel training primarily in the latest directions of science and technology. An up-to-date material base is to be established for these educational institutions, the first examples of new technology are to be provided for them, and its developers and the most prominent specialists in a given field are to be involved in the training work.

The Tsentrsoyuz [Central Union of Consumer Cooperatives] and the ministries and departments concerned are to organize extensive training for the managers and specialists of cooperatives.

The managers of educational institutions in the system for improving personnel skills and retraining and higher and secondary specialized educational institutions are to organize consultations for persons increasing their skill independently. The establishment of cost accounting courses for citizens who wish to acquire knowledge under a specific program is authorized for these educational institutions.

The USSR Ministry of Higher and Secondary Specialized Education, jointly with the appropriate ministries and departments, is to certify the educational institutions (subunits) in the system for improving personnel skills and retraining once every 5 years to provide an overall assessment of the instruction in them, the quality of the teaching personnel, and the condition of the material base.

6. It is considered expedient to conduct the training process in the system for improving personnel skills and retraining primarily with leading scientists; prominent specialists; party, soviet, and economic managers; developers of the latest technical solutions and technological processes; and production innovators who are enlisted under conditions of combined staffing and payment by the hour. Ministries and departments of the USSR and the Councils of Ministers of union republics are to provide for participation by the specialists cited in the work of educational institutions (subunits) under their jurisdiction.

Managers of educational institutions (subunits) which are engaged in improving personnel skills and retraining are to be authorized:

—to enlist the services of highly skilled employees in instructional work of up to 50 hours annually without formalizing authorization from the place of basic employment, as well as on a contract basis for preparing summaries of lectures, textbooks, and methods manuals; and

—for specialists in the national economy who have been accepted for instructional work, to include the time of their work in positions of managers and leading production specialists in a scientific-pedagogical period of service.

The USSR State Committee for Labor and Social Problems, jointly with the USSR Ministry of Higher and Secondary Specialized Education, is to draft proposals on extending the salaries stipulated by Decree No 1115 (SP [Collection of Decrees] of the USSR, 1986, No 34, Article 179) of the CPSU Central Committee, the USSR Council of Ministers, and the AUCCTU for appropriate employees in production sectors of the national economy to the employees of skill improvement institutions who are engaged in operating computers and other complicated equipment.

Ministries and departments are to grant the right to skill improvement institutions to conduct scientific research work in the procedure and under the conditions stipulated for VUZes.

The teaching staff of educational institutions (subunits) in the system for improving personnel skills and retraining is to be given the right to conduct scientific work in scientific research, planning and design, and engineering organizations and the scientific subunits of VUZes.

Teaching work is to be authorized for teachers at VUZes and educational institutions (subunits) in the system for improving personnel skills and retraining under combined staffing conditions with payment by the hour, including in subordinate and collaterally subordinate educational institutions (subunits).

The number of teaching personnel at educational institutions (subunits) in the system for improving personnel skills and retraining that have not been shifted to cost accounting conditions is to be determined, based on the fact that the average annual contingent of students per teacher should be 25 percent less than the norms established for VUZes which are training specialists in a given specialty.

For the purpose of systematically updating the theoretical and practical knowledge of the staff instructors of educational institutions (subunits) in the system for improving personnel skills and retraining, it is considered necessary:

—to organize their short-term training (as necessary), as well as their long-term periodic training (at least once every 5 years) in the Academy of the National Economy attached to the USSR Council of Ministers, the Academy of Economic Planning attached to the USSR Gosplan, the higher schools of management of national economic complexes, and other leading educational institutions under the conditions stipulated by the current decree; and

—to conduct on-the-job training for teachers at leading enterprises and in organizations for up to 1 month annually, as well as to send them, with their consent, to work as specialists for a period of up to 1 year under the conditions stipulated for VUZ instructors.

The managers of enterprises and organizations are to be granted the right:

—to send highly skilled specialists to educational institutions (subunits) engaged in improving personnel skills and retraining, in accordance with their requests, to conduct lessons with students under the conditions of combined staffing or payment by the hour, including up to 4 hours weekly during work time, with retention of the wages for their basic work place;

—to enlist the services of the teaching staff of educational institutions (subunits) in the system for improving personnel skills and retraining for consultations in the procedure and under the conditions stipulated by Subparagraph "b," Paragraph 2, of USSR Council of Ministers Decree No 85 of 20 January 1986; and

—to invite leading scientific, scientific-teaching, and practical employees to enterprises and organizations for short-term instruction on a contract basis, without formalized authorization from the basic work place and without considering this work as combined staffing.

7. The USSR Ministry of Higher and Secondary Specialized Education, jointly with the central committees of the Communist Parties of union republics and party kraykoms, obkoms and gorkoms, is to undertake steps to fundamentally improve the work of institutions in improving the skills of the social science instructors in higher educational institutions. The role of these institutions in scientific and methodical support for restructuring the teaching of social and economic disciplines is to be substantially reinforced.

All social science teachers are to be sent once every 5 years for practical social and political experience without discontinuing their work to party, soviet, and economic organs and to enterprises and institutions for a period of up to 4 months, in accordance with the location of the educational institution. To the extent necessary, social science teachers are to be given practical experience in party committees under the conditions stipulated by Paragraph 10 of CPSU Central Committee and USSR Council of Ministers Decree No 327 of 13 March 1987 (Collection of Decrees of the USSR, 1987, No 24, Article 85). Practical political and socioeconomic information is to be organized for the teachers, and they are to be continuously familiarized with the work experience of party, soviet, and economic organs, the achievements of labor collectives, and the specific conditions in a given region.

The organization of continuous improvement in the skills of social science teachers is to be brought under control firsthand in educational institutions, and the work of methodological seminars, the conduct of discussions on timely problems of theory and practice in social development, and the maintaining of a creative atmosphere in social sciences departments are to be stirred to greater activity for this purpose.

8. Ministries and departments of the USSR and the Councils of Ministers of union republics are to make provision in the plans for international scientific and technical relations for the assignment of management employees and specialists, as well as teachers in the system for improving personnel skills and retraining and VUZ instructors, to enterprises, firms, organizations, and educational institutions in foreign countries for the study of advanced experience in priority production fields, management, and science and technology. The resources of enterprises and organizations engaging in direct production and scientific and technical relations with foreign partners are to be utilized more extensively for this purpose.

The USSR Ministry of Higher and Secondary Specialized Education and the Councils of Ministers of union republics are to be authorized to grant the right to educational institutions under their jurisdiction in the system for improving personnel skills and retraining to

establish direct contacts with foreign partners, extending to them the application of CPSU Central Committee and USSR Council of Ministers Decree No 992 of 19 August 1986.

The proposal of the USSR Ministry of Higher and Secondary Specialized Education to organize an intersectorial institute for improving the skills of foreign language instructors in higher educational institutions, as well as for the language training of management employees being sent abroad, under the system for improving personnel skills and retraining, establishment of the basic directions for its development and refinement, state inspection of all forms of continuous personnel training, coordination of the work of educational institutions, and control of the content and quality of the educational process.

The USSR Ministry of Higher and Secondary Specialized Education, jointly with the appropriate ministries and departments, is to be charged with selecting the managers of education for the system for improving personnel skills and retraining, establishment of the basic directions for its development and refinement, state inspection of all forms of continuous personnel training, coordination of the work of educational institutions, and control of the content and quality of the educational process.

The USSR Ministry of Higher and Secondary Specialized Education, jointly with the appropriate ministries and departments, is to be charged with selecting the managers of educational institutions (subunits) in the system for improving personnel skills and retraining. The USSR Ministry of Higher and Secondary Specialized Education is to be authorized to establish a scientific-methodical center to study the problems and generalize the experience in improving personnel skills and retraining within the manpower and wage fund limitations of USSR Ministry of Higher and Secondary Specialized Education organizations and the educational institutions in this system located in the city of Moscow.

10. The Academy of the National Economy attached to the USSR Council of Ministers is to reinforce scientific-methodical supervision of the educational institutions (subunits) engaged in improving the skills and retraining of upper-level management employees in state administration.

11. The USSR State Committee for Science and Technology and ministries and departments of the USSR are to put a priority information service into effect for educational institutions (subunits) in the system for improving the skills and retraining of management employees and specialists, as well as to provide for their publications and normative documents on priority directions in development of the economy, science and technology, and other materials on sectorial and intersectorial problems. The work of these educational institutions and sectorial scientific and technical information centers

is to be more closely coordinated. The managers of enterprises and organizations are advised to establish reference information services.

The USSR State Committee for Television and Radio Broadcasting and the USSR Ministry of Higher and Secondary Specialized Education, jointly with other ministries and departments, are to organize broadcast series and educational video programs to assist employees in improving their skills.

The study and interpretation of work experience in improving personnel skills and retraining is to be considered sectorial journals' most important task.

12. For the purpose of reinforcing the responsibility of educational institutions in the system for improving the skills and retraining of management personnel and specialists for the quality of instruction, it is considered essential to shift them to cost accounting conditions beginning in 1988.

It is stipulated that improvement in the skills and retraining of management employees and specialists is to be carried out in accordance with contracts concluded between educational institutions (subunits) and ministries, departments, associations, enterprises, organizations and institutions, regardless of their departmental subordination, which provide direct payment to the educational institutions cited for each employee sent for study.

The amounts of the payments for employee instruction are determined by organs at a higher level than the educational institutions, jointly with the associations, enterprises, organizations, institutions, ministries and departments which send their employees for training. It is considered sound practice for the payments cited to be made from the centralized funds of ministries, departments, and state production associations, as well as through the funds for developing production, science and technology and other funds of similar purpose from associations, enterprises, and organizations or special allocations for personnel training. Associations, enterprises and organizations are to be authorized to channel the assets provided for improving the skills and retraining of management employees and specialists into their funds for development in the 12th Five-Year Plan.

Enterprises and organizations are to be given the right to independently select the educational institution (subunit) for improving the skills and retraining of their employees, as well as to cancel contracts with educational institutions providing instruction of low quality.

Educational institutions in the system for improving personnel skills and retraining which are being shifted to cost accounting conditions are to be provided with

material and technical support in the procedure stipulated by USSR Council of Ministers Decree No 398 of 27 March 1986 (Collection of Decrees of the USSR, 1986, No 18, Article 94).

Ministries and departments of the USSR and the Councils of Ministers of union republics are to reexamine the procedure for planning and material and technical support for the activity of educational institutions (subunits) in the system for improving personnel skills and retraining which are being shifted to cost accounting conditions, taking the characteristics of sectors into account.

13. The USSR Ministry of Higher and Secondary Specialized Education, with the participation of the USSR Ministry of Finance and the USSR State Committee for Labor and Social Problems, is to draft and adopt regulations in the established procedure within a 3-month period for the formation and distribution of the cost accounting income of educational institutions (subunits) in the system for improving the skills and retraining of management employees and specialists, providing for the establishment of economic incentive funds in the process.

14. Support of the system for improving personnel skills and retraining with educational materials is to be radically improved to establish the conditions necessary for continuous training of management employees and specialists.

The proposals of ministries and departments of the USSR and the Councils of Ministers of union republics on the construction of training buildings and dormitory facilities of the hotel type up to the year 2000 for educational institutions in the system for improving the skills and retraining of management employees and specialists are to be approved in accordance with Supplement No 4.

Ministries and departments are authorized to take part in a shared arrangement for the construction of buildings and the provision of training and laboratory equipment for the educational institutions (subunits) in the system for improving personnel skills and retraining without regard for their departmental subordination.

The USSR State Committee for Computer Technology and Information Science is to make provision in annual plans for the special-purpose allocation of up to 5 percent of the funds provided by ministries and departments for computer hardware to equip the educational institutions engaged in improving personnel skills and retraining.

15. The USSR State Committee for Labor and Social Problems, jointly with the USSR Ministry of Finance and the AUCCTU, is to determine the procedure and

conditions for classifying educational institutions in the system for improving personnel skills and retraining in the appropriate wage categories, taking the new tasks of this system into account.

It is stipulated that the structure and staffing of educational institutions (subunits) in the system for improving personnel skills and retraining which have been shifted to cost accounting conditions are to be approved by the managers of these educational institutions.

16. Management employees and specialists in the national economy are to retain the average wage for their basic place of employment during the time of their training with leave from work. Students from other towns who are sent for training with leave from work are to be paid travel allowances within the first month, and those receiving wages of less than 200 rubles per month will be paid a stipend of 40 rubles in the next period. Payment for students' trips to the place of training and return and their travel allowances, as well as payment for stipends, are to be made by the ministries, departments, enterprises and organizations at the basic work place.

During the training period, students are provided with dormitory facilities of the hotel type and their expenses are paid by the organization which sends them. Where dormitory facilities are lacking, compensation for residence in hotels is to be provided under the conditions established by USSR Council of Ministers Decree No 46 of 17 January 1980 (Collection of Decrees of the USSR, 1980, No 5, Article 37).

17. The USSR Ministry of Higher and Secondary Specialized Education, with the participation of the USSR State Committee for Labor and Social Problems and the AUCCTU, is to draft a Model Statute on Educational Institutions (Subunits) in the System for Improving the Skills and Retraining of Management Employees and Specialists in the National Economy and submit it within a 3-month period to the USSR Council of Ministers in coordination with the ministries and departments of the USSR concerned.

18. The USSR State Committee for Statistics, with the participation of the USSR Ministry of Higher and Secondary Specialized Education and the USSR State Committee for Labor and Social Problems, is to enter the appropriate changes in the statistical record, specifying the data for all types of continuous personnel training.

19. The central committees of the Communist Parties of union republics; the kray, oblast, okrug, city, and rayon committees of the party; ministries and departments of the USSR; and the Councils of Ministers of union republics are to concentrate the attention of party, trade union, soviet and economic organs and labor collectives on the provision of continuous training for employees in all areas of the national economy and are to increase managers' responsibility in creating the conditions necessary for this. The improvement in personnel skills and retraining is to be carried out by combining vocational training organically with thorough economic education and the study of CPSU documents and the latest achievements of social sciences.

20. The USSR Ministry of Higher and Secondary Specialized Education, the USSR Ministry of Justice, the USSR State Committee for Labor and Social Problems, the USSR Gosplan, the USSR Ministry of Finance, and the AUCCTU, with the participation of the ministries and departments concerned, are to prepare and submit to the USSR Council of Ministers their proposals on recording the changes resulting from this decree in the legislation in effect.

* * *

The CPSU Central Committee and the USSR Council of Ministers express their firm confidence that party, soviet, trade union and economic organs and the collectives of associations, enterprises, organizations and institutions will successfully carry out the restructuring of the system for improving the skills and retraining of management employees and specialists in the national economy and will achieve high results in economic and cultural construction and in carrying out the programmed tasks for accelerating the country's social and economic development.

[Signed] M. Gorbachev, secretary of the CPSU Central Committee; N. Ryzhkov, chairman of the USSR Council of Ministers.

Moscow, the Kremlin, 6 February 1988, No 166.

8936

RAIL SYSTEMS

Ministry Staff Role in New Economic Mechanism Noted

18290101 Moscow GUDOK in Russian 5 Apr 88 p 2

[Article by M. Kaganskiy: "The Price of a Staff Decision: Notes From a Meeting of the Party-Economic Aktiv of the Ministry of Railways"]

[Text] The new methods of management, cost accounting and self-financing require economic and commercial thinking, different from before, from all workers in the railroad sector, and especially from the coworkers of its staff—the Ministry of Railways. Every director of the staff subdivision and every specialist is capable of doing a great deal toward acceleration of restructuring on the steel rails and the sector's emergence to higher milestones. Minister of Railways N.S. Konarev proved this convincingly in his report at the aktiv meeting.

For example, there is much talk about the unprofitability of ring routes, the so-called shuttle consists. They are of perceptible advantage to users—freight delivery is accelerated and precise delivery of rolling stock is guaranteed. The railroad workers end up losing, however—the cars are not used productively.

Responsible workers of the main administrations for accounting and finances, transport and a number of other subdivisions of the ministry have passed from talks to action: they figured out, as they say, what was what, determined the actual cost of maintaining the shuttle consists and succeeded in revising the tariffs. Now each shuttle consist yields a solid profit instead of losses. On this basis alone the railroads can obtain an additional profit of 50-60 million rubles a year.

Here is the real "worth" of the actions of a staff worker—in the field of cost accounting. The enterprising colleagues of the main administrations, with new, economically-oriented ideas, do not limit their search, so to speak, to the domestic market, but go out to foreign economic paths. For example, one of the colleagues of the Foreign Relations Administration earnestly publicized tests being carried out at an experimental testing ground in Shcherbinka. He managed to interest the representatives of foreign firms, who concluded over half a million dollars worth of contracts for testing.

Facts such as this clearly attest to the work of the staff of the railroad sector and outline visible changes. Cost accounting arouses specialists and subdivision directors to active work and forces them to be businessmen in the best sense of the word. Many suggestions have already been carried out or are on the point of getting a start in life.

The Main Administration for Industrial Railroad Transport has not only paid for itself, but has also brought in a fair amount of above-plan profit. Noticeable improvements have been made in the work of the Main Administration for Capital Construction. The collectives of the Daugavpilss, Izyum, Ussuriysk and other locomotive repair yards have achieved great progress. Output worth almost 8 million rubles above the plan will be obtained at the enterprises of the main administration.

For the sector as a whole, in the time passed since the 27th CPSU Congress, there has been above-plan dispatching of 107 million tons of freight, labor productivity has risen by 16.1 percent and over 840 million rubles worth of above-plan profit have been obtained.

The beneficial influence that the new methods of cost accounting and restructuring have on the work of the central system of the ministry is having its effect.

Still, as the participants in the aktiv noted, there are no grounds for placidity. At a number of railroads and enterprises, and in some main administrations, the restructuring process is proceeding exceedingly slowly, and here and there it has not even been started.

The Main Administration for Container Transport and Commercial Operations has great shortcomings in its work. Its managers and the party organization have become bogged down in internal arguments and are not solving crucial problems connected with raising the level of container and packaged transport, mechanization of loading work and improvement in container use. Their turnover has slowed down, and sometimes they are more than two years behind.

The directors of the Main Railroad and Highway Administration has been sharply criticized. Not everything is harmonious here with respect to technology, introducing the achievements of scientific technical progress, traffic safety and the economic system. Over 5000 speed restrictions are in effect on the network. Some 11 million rubles of profit are lost simply because trains are delayed for this reason.

This is not the only reason for the high operating costs in the subdivisions of the main administration. Its "contribution"—about 3 million rubles—is almost a fifth of the sectorial expenditures for operation. It would seem that under these conditions the regimen of economy should be made more stringent and that everything should be done to prolong the service life of the rails, the cross ties and the equipment. Here, however, they go along as before, along the expenditure path. The rails are worn, no reason is given, and new ones must be laid. The reinforced concrete ties serve a third of what was counted on.

The directors of the main administration blame the shortcomings in maintaining the tracks chiefly on poor material-technical supply. But does the problem lie only in this?

Not a day goes by when the Minister of Railways does not receive a letter from the line, from the workers and directors of the subdivisions. For example, let us say a letter arrived from Shchigry: there are no basic instruments, crowbars or shovels. This indicates indifference and lack of consideration toward the people on the part of the main administration directors.

Obviously, the reason for many of the shortcomings must be sought here. Practical experience requires more rapid introduction of advanced new methods. The railroad men, however, as the aktiv participants noted, are in no hurry to do this.

Comrade Kemezh, first deputy chief of the main administration, essentially confirmed this. He mentioned improving the structure by using the method of the Central Asian railroad workers as one of the ways to improve matters. They consolidated uncoordinated subdivisions into unified enterprises for railway affairs. In the new structural subdivisions there is a sharp rise in labor productivity, use of equipment and physical resources is improving and operating expenditures are going down.

The main administration has outlined the correct course. It is just that it took a long time. GUDOK wrote almost a year ago ("The Effect of Unity," of 14 May 1987) about the advantages of the new administrative structure. At that time the directors of the main administration were skeptical about this, and said, the year will end, and then we will see.

Is an approach like this necessary in our dynamic times?

The aktiv participants named several similar examples of lack of initiative in the approach to the situation taken by the directors of a number of main administrations. They warned: either the matter would be put right, or it would be necessary to cede their place to other, more energetic, flexible ones, with a commercial bent for specialists with economics-oriented thinking.

At the meeting the railroads were called upon to heighten the work efficiency of the sector and increase the profits. This means, first of all, a rise in the volume and quality of transport, introduction of service features for the freight owners and an improvement in passenger transport organization. It is estimated that by virtue of this alone, profit could be increased by 1.2 billion rubles.

Consumer goods and services are a considerable source of revenues. So far, unfortunately, this is very modestly realized. The potential opportunities are evaluated at over a billion rubles.

Therefore, the sector is capable, not only of financing itself, but also of bringing hundreds of millions of rubles into the state budget. While it exists on credit, it receives 1.6 billion rubles worth of state subsidy. This is primarily the result of the huge unproductive expenditures. Over 15 billion rubles a year, over half of which go to the subdivisions for locomotive and track services, are spent for operating needs. The losses here are high.

Some of the most important strategic problems are utmost economy, maximum reduction of expenditures and a search for non-traditional ways of gaining profits.

A problem was posed urgently at the conference: each worker on the sectorial staff should find his place in the restructuring picture, and not only justify his wages, but also pay them back many times over. The role of the colleagues in the ministry, it would appear, was very precisely defined by A. Davydov, first deputy chief of the Main Transport Administration. The words of a staff worker cost dearly, he noted. Sometimes the success of the matter at huge proving grounds and the material well-being of hundreds and even thousands of railroad workers at the sites depends on each decision made at the headquarters of the sector. Therefore, they should be well thought out, verified and not given a quick read-through, in order for it to be certain that a profit, and not a loss, will be returned.

Unfortunately, it has not so far been possible to achieve this. The government officials, even when they incur material damages, do not suffer from this. As before, they plead: we have given warning and have written papers to the appropriate authorities, and they complain: we do not have this, that and the other, and consider the question closed. Now, however, it will not be the "objective" reasons that will be taken into consideration, but the ability to solve the problem, to find the way out of a most entangled situation. There are no situations without a way out.

Of course, it is no simple matter to create a new economic mechanism. Both counting errors and miscalculations are possible here. As they say, the only person who does not make a mistake is one who does not do anything. The greatest error is—temporizing. Cost accounting is a judge—strict, rigid, even cruel. It gives an evaluation of the business activity of each ministry colleague. There is a new criterion for this.

As was recorded in the resolution of the aktiv meeting, considering the adoption of measures to enable the sector to obtain above-plan profits is an extremely important task for each worker in the central system of the Ministry of Railways, as is creating, on this basis, additional potentials for accelerating the production and social development of railroad transport.

Traffic Safety Device Inventor Encounters Bureaucracy

*18290111a Moscow SOVETSKAYA ROSSIYA in
Russian 4 May 88 p 1*

[Article by Aleksey Ignatyevich Margovenko, fitter at the Sverdlovsk-Passazhirskiy [Passenger] Locomotive Depot: "Engine-Driver Dances Against His Will: Inventor's Response to Letter From Minister of Railways"]

[Text] Why can't I sleep at night; what is chafing my soul? All my difficulties appear to be behind me. I have already built my device, all the technical documentation is in order, a program of tests has been drawn up and a lot of paperwork has been sent off to Moscow. The directive initiating the trials should be here soon. And I received this letter of approval from the minister:

To Comrade A. I. Margovenko

Dear Aleksey Ignatyevich!

I regret that we were unable to get together during your visit to Moscow in February of this year. As it was reported to me, you have done a great deal of work on improving a device for monitoring the control of a train moving towards a stop signal, and that a prototype is soon to be built and tested. Comrade V. M. Skvortsov, chief of the Sverdlovsk Railroad has been instructed to give you all necessary assistance, and institute specialists have been ordered to participate in this work. I wish you success and thank you for your initiative and your active participation in helping to solve the problems of providing safe train travel.

Minister N. S. Konarev

The young-people's boarding house at the Sverdlovsk-Sortirovochnyy [Shunting] Depot is directly visible from the window of my apartment. At any time of day I can see people set out from the depot towards the station, with little suitcases in their hands. They are leaving on a trip. What sort of trip will they have, easy or difficult? It is not an idle question, particularly these days. Koristovka, Kamenskaya, Kanash, Ruisbolo.... These names have now acquired a mournful reputation. The engineer fell asleep at the throttle, the engineer made an error, the engineer was daydreaming. And the train went past a signal in the stop position—with unforeseeable consequences. The device the minister of railways wrote about is specifically intended to prevent red signals from being passed.

I have been driving trains for almost 30 years. I can attest to the fact that the level of stress in the engineer's job has increased immeasurably. When I started this work, there were both fewer trips and we had fewer responsibilities on our shoulders. Trains used to have a clear road. Nowadays they travel one after the other. There are many things constantly requiring the engineer's attention: equipment, track, engine performance, signals. And

if he has already done a respectable amount of overtime work since the beginning of the year, the pile-up of overtime added to his lack of rest at home because of the tightness of his schedule and the number of consecutive trips of many hours' duration all tend to sharply increase his chances of making an error. Here are the statistics. One-third of all instances of trains passing stop signals happen when members of locomotive brigades fall asleep.

I am not attempting to condone the instances of criminal negligence which have been allowed to occur. But I hasten to assert that orders to drive trains further and for longer time periods have been given preeminence over the problem of traffic safety. In the last three decades, no radically new equipment has been introduced to keep trains from accidentally passing through red lights. The engineer's cab has a single primitive vigilance button which whistles when the signal light changes color, at which time the engineer has to press on the handle of the vigilance lever, which means the engineers sees the signal and is reacting. In view of the present traffic load on our railroads, these signals change at least every minute and the engineer's cab is subjected to a monotonous and exhausting whistle. And often the engineer's hand presses mechanically on the vigilance lever.

A great many designers have struggled with the problem of how to prevent trains from passing through stop signals. For instance, our own Urals Division of the VNII [All-Union Scientific-Research Institute] of Railroad Transport is developing an automatic brake-control system (SAUT). Beyond this system is the future, when trains will be driven by electronic equipment. True, I feel that this is a quite distant future, since our track economy is still too far from being perfect, our railcar park is run-down and our signals and communications do not always function correctly. And this device is expensive. It would take longer than a five-year plan period to accumulate all the assets we need to pay for them. Some people, in an attempt to make the engineer more vigilant suggested that, in addition to the antiquated automatic train stop, another button and a blinking light be attached to the ceiling of the engineer's cab to produce a night-vision reflex [kurinyy refleks] to the light. Some locomotives have a pedal adaptation, from which the engineer removes his foot and puts it back, which makes him look as though he were dancing. I. N. Pecherin, our foreman from the automatic train stop shop, quite accurately evaluated all these devices when he commented, "I gather, from the way this poor engineer has to travel along, that we have modernized ourselves to the point of producing prima ballerinas. Here he presses a pedal, there he presses a lever and then he leaps up to the ceiling...And what's the good of all this?" The "good" is doubtful and the harm is obvious: these "dances" only scatter the engineer's attention.

Forcing trains to stop at stop signals is one way out of the situation. My device for monitoring control of the train's motion toward stop signals guarantees these stops. Simple and inexpensive to manufacture, it could be used

when no opportunity is available for our railroaders to equip all our transport economy with state-of-the-art electronic SAUT-type systems. The device works like this: after the train has passed the green light and approaches the red light, the train's speed is slowed smoothly, and if this does not occur the train stops at the red signal light through activation of the emergency brake. This solution was devised at the beginning of 1985. By December a prototype had been put together and successfully tested in our training depot. A representative commission suggested that we prepare a device to be tested on a locomotive. We spent more months looking, and prepared a microcircuit, thus solving the problem of non-contact communication. We worked quickly and thought we'd manage to complete the tests by the time of the 1987 summer passenger traffic. We went to Anatoliy Prokopyevich Nagarov, the depot's chief engineer and asked him to assign us some automatic equipment specialists to help us refine the diagrams.

"I don't have any specialists. Look if you need to," answered Anatoliy Prokopyevich.

Aleksey Titov, a communications engineer agreed to help us, and did so for nothing before the beginning of this year, since the depot had no way to pay for the highly-skilled work of a person holding another job on the side.

There was a staggering amount of red tape. They simply did not allow me to finish the work last year, and they put it aside. They said they didn't have an institute, and that a fitter should do a fitter's work. Only the intervention of the Sverdlovsk Oblast Committee of the Party and my trip in February to Chief Engineer of the Main Locomotive Administration V. A. Kolko, and the minister's directive, which he mentioned in his letter made it possible for Titov and me to get back to work on the device. We were hoping that now, after so much influential support, the depot leadership would stop hindering us. Nothing of the sort. Here's a typical episode: while adjusting the device, I connected it to an electric locomotive which was down for repairs. And a visitor—Chief Engineer Natarov—complained about it. He stayed exactly five minutes, and saw the speed read-out stop for a few moments (the plug was simply loose), and went off to draw up a formal document on the device's inability to operate, even though he had no authority to do so. The device passed its official test successfully.

It's as though I can relax nowadays. And my colleague and I are even more watchful. We expect a dirty trick during the most crucial tests of the device on a locomotive, if the matter gets to the testing stage. We are weary of the endless carping of our engineers, who do not conceal the fact that they expect a negative outcome. Meanwhile, at least a year has been lost and a new summer travel season is close. The device is so simple to manufacture that it would take only a very short time to

reequip locomotive speedometers. And this precious time keeps passing and passing. And this is why I sat down and wrote the following letter to Minister Nikolay Semenovich Konarevu:

Dear Nikolay Semenovich!

I want to bring the documents to Moscow to you for acceptance. But, as they explained to me, an order for an out-of-town business trip could not be written since there has been no summons from you. And the red tape goes on and on. I see no end to it...."

After this, the content of the letter coincides in large part with what I have been talking about here.

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MARITIME AND RIVER FLEETS

**New Far Eastern State Production Association
Director Interviewed**
*18290113a Moscow VODNYY TRANSPORT in
Russian 8 May 88 p 2*

[Interview with First Deputy General Director of the Far Eastern State Production Association for Maritime Transport Georgiy Ivanovich Pikus, conducted by VODNYY TRANSPORT correspondent A. Mikhailenko under "Under New Economic Management System" rubric: "Far East Experiment"]

[Text] Vladivostok—The setting up of the sector's first GPO [State Production Association] is an extraordinary event, and has caused genuine interest on the part of our readers.

Our correspondent talks with First Deputy General Director of the Far Eastern State Production Association for Maritime Transport Georgiy Ivanovich Pikus.

[Question] Georgiy Ivanovich, we traditionally break down any significant economic or social process into its components—stages, periods or cycles. Using this system of measurement, at which stage is the GPO?

[Answer] At the very first stage. The working group, which was formed from the leading specialists of far eastern shipping companies, have done a tremendous amount of work. The plant workers, port workers and administrative workers got together in both individual groups and all together. Scientists were brought in to discuss the future structure of the GPO. The Primorskiy CPSU raykom Department of Transport and Communications actively helped us.

The discussion was heated, and even mutually exclusive proposals were advanced. For example, someone suggested that ports be no longer subordinated to the shipping companies. I personally believe that the GPO should be set up simultaneously with the redistribution

of the fleet and the freight-handling base. Right now, it has been decided to make the shipping companies part of the GPO with all the rights of fully independent production units. It is possible that the structure will change later on. It was no accident that the Ministry of the Maritime Fleet put a 6-month deadline on solving all the principle problems.

How has our work been going, and how is it going now? The Far Eastern Shipping Company is short of lumber ships, so we're presently shipping lumber on 'tween-deck ships and this is losing us manpower, time and money. Sakhalin Shipping Company lumber ships are carrying general cargoes. Take "ro-ro" ships ["roll-on-roll-off" ships], for instance. There are two equipment-transport lines operating in the basin: the Petropavlovsk-Kamchatka and the Vanino-Magadan. If it is reasonable to redistribute the Far Eastern, Kamchatka and Sakhalin shipping companies' special fleets, can't we not only "shut down" coastwise trade, but also have some of these ships earn currency by carrying foreign charterers' cargoes.

What's going on? Bladivostok is choked with equipment. The Kamchatka Shipping Company, which owns lines and two "ro-ro" ships, can't meet its shipping obligations. And the Far Eastern and Sakhalin shipping companies are sending their break-bulk cargo ships [rolkery] out to do seasonal work in Southeast Asia, where they compete, undercutting each other's rates.

[Question] Did everyone join this new association voluntarily, willingly?

[Answer] Not everyone, and not all at once. The Sakhalin Shipping Company, for example, vacillated for a long time, but the thrust of their objections came approximately to: "leave us in peace, we're not doing so badly." The people from Kamchatka jumped at the offer right away, but not all of them either.

Today it is obvious that none of the shipping companies can develop fully on its own. Here is an example. The people from Sakhalin, who will soon have their lumber ships written off, need six new ships of this type. Where will they get them? They have no way to buy them, and no money is forthcoming from Moscow. There is still coast-boat [berbout] chartering. That is, ships are bought on terms like those of a deferred payment purchase. And the account is kept in the currency earned by the fleet on its routes. But analysis shows that the payment deadlines set by the present ship owners are unworkable for the Sakhalin Shipping Company. So then the general director decided that the powerful Far Eastern Shipping Company will also charter ships, but they will "shut down" Sakhalin's planned shipping volumes.

[Question] And how are the other shipping companies paying for services?

[Answer] They, too, are using their fleets to pay. Possibly, they will turn over the use of their packet ships or those same "ro-ro's" to do this. Only a year ago this was not possible. Here's another example. The Kamchatka Shipping Company need two Volgoles-class diesel-powered ships. The DVMP [Far Eastern Shipping Company] has them. Previously, no one would pay any attention to the KMP's [Kamchatka Shipping Company's] requests. The question was taken up and solved at the latest director's meeting.

Or take Arctic shipping. According to preliminary data, Arctic applications have increased 20 percent this year. The DVMP cannot spread itself thin enough to handle these volumes with its ice-worthy fleet. And the Sakhalin Shipping Company has two extremely powerful type SA-15 diesel-powered ships in the Arctic which are not fully loaded. It is no accident that this question is to be brought up at the next meeting of the GPO Council of Directors.

The Council of Directors was formed on the basis of the Law of the State Enterprise. Directors, specialists and I myself have been invited to attend its meetings. But it is true that we do not have deciding votes. That's is the reality of the matter. There is food for thought here. It is no accident that the question of setting up a Council of Directors' working group has been looked into. This is a new business, and there are thus many nuances in effect here. And even the law cannot foresee all situations. For example, in accordance with the statute, the general director is simultaneously the chief of the DVMP, the base enterprise. A shipping company director is appointed by the ministry, and a general director is selected by the GPO council of directors. It is a good thing that in this specific instance the views of the council and the ministry coincided. But it could have happened otherwise. What can be done about this?

[Question] It's a good thing we have touched on the personnel problem. Having read the order setting up the GPO, I noted that all the "portfolios" were sent to the Far Eastern Shipping Company's directors. Is it true that no one in the region has been found worthy?

[Answer] How could it have been otherwise? Should we dismiss them and choose new ones? I don't doubt that there are wonderful organizers and skillful directors in Sakhalin, Kamchatka and in Yakutia. But it was perfectly logical to make The Far Eastern Shipping Company the GPO's base enterprise, since it has 10 ports, four large-scale SRZ's [ship-repair plant] and over 200 ships. Its capacities equal those of all the remaining shipping companies together. When renewing an orchard, an experienced gardener grafts new shoots to a strong tree.

The DVMP's directors have spent years expanding their authority and accumulating experience. This is even more necessary to the GPO during its most crucial formative period, when it needs a strong collective of

directors who work well as a team. That's what we had, and was it worthwhile to dismantle it? Time will tell how well each of us is suited to his new position. No one has a life-long claim to a director's chair.

[Question] This question is related to the preceding. Aren't the Far Eastern Shipping Company's enterprises going to be on preferential terms?

[Answer] I have thought about this myself. No business has a hundred-percent guarantee against subjectivism. We need to devise economic levers which would make personal sympathies and antipathies simply unprofitable. For example, awarding bonuses solely on the basis of the GPO's work results. Another direction would be to expand democratic administrative principles. Active participation in solving the problems of labor collectives' councils.

[Question] Will cost-accounting [khozaschet] be the primary lever?

[Answer] Certainly. Each enterprise will try to earn the greatest possible profit. Its material position will depend on this. I think common sense and the feeling of being one's own boss will prevail over the feeling of being a petty proprietor.

This year the shipping companies will continue to operate in compliance with ministry-approved plans. But as early as next year we plan to formulate these plans ourselves on the basis of the GPO's state quotas. Right now, our biggest problem is that of solving local social and domestic problems, and expanding the GPO's enterprises more smoothly. We have many matters and concerns to deal with. But our people neither can nor want to operate in the old way.

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